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## UPDATE TO THE 2014 REFERENCE DOCUMENT

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*This document is a free translation of the French language update to the reference document that was filed with the French Financial Markets Authority (Autorité des marchés financiers or the “AMF”) on November 13, 2015. It has not been approved by the AMF. This translation has been prepared solely for the information and convenience of English-speaking readers. No assurances are given as to the accuracy or completeness of this translation, and Parrot assumes no responsibility with respect to this translation or any misstatement or omission that may be contained therein. In the event of any ambiguity or discrepancy between this translation and the French update to the reference document, the French language update to the reference document shall prevail.*



AUTORITÉ  
DES MARCHÉS FINANCIERS

The French version of this update was filed with the AMF on November 13, 2015 under number D. 15-0468-A01 in accordance with Article 212-13 IV of its General Regulation. It completes the reference document filed with the AMF on April 30, 2015 under number D.15-0468 (hereinafter the “**Reference Document**”). The Reference Document and its update may be used to support a financial transaction if accompanied by a securities note approved by the AMF. This document was prepared by the issuer and is the responsibility of its signatories.

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

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# General comments

In connection with this update of the Reference Document (the “**Update**”):

- The “**Company**” refers to Parrot.
- The “**Group**” refers to the Company and:
  - Its subsidiaries from its Drones / Connected Devices Segment: Parrot Drones S.A.S., Parrot Asia Pacific Ltd, Parrot Shenzhen, Parrot, Inc., senseFly, Pix4D, Airinov, EOS Innovation and MicaSense, Inc. (company not included in the basis for consolidation at September 30, 2015);
  - its subsidiaries from its OEM Automotive Segment: Parrot Automotive S.A.S., Parrot Automotive Asia Pacific Ltd. and Parrot Automotive Shenzhen; and
  - its other subsidiaries: Chez Parrot S.A.R.L., Parrot GmbH, Parrot UK Ltd., Parrot Iberia S.L., Parrot Italie S.r.l., Parrot ANZ Ltd, Parrot Japan K.K. and Parrot Shmates S.A.S.

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

Investors are urged to pay careful attention to the risk factors described in Chapter IV “Risk factors” of the Reference Document and Chapter III “Risk factors” of this Update before making any decision to invest. If one or more of these risks were to occur, this could have an adverse effect on the Group's activities, condition and financial results, or its ability to achieve its objectives, as well as on the value or price of the Company's shares. Furthermore, other risks that have not yet been identified or are not currently considered to be significant by the Group, could have a similar adverse effect.

This Update contains information concerning the Group’s objectives, as well as forward-looking statements, particularly in Chapter V “Business and strategy” and Chapter IX “Information on trends”. At times such indications are identified by the use of the future or conditional tenses or by forward-looking terminology, such as “consider”, “envision”, “think”, “aim”, “expect”, “intend”, “should”, “ambition”, “estimate”, “believe”, “would like”, “may” or other similar terms. Such information is based on data, assumptions and estimates that the Group considers to be reasonable. They may to change or be amended as a result of various uncertainties relating in particular to changes in the economic, financial, competitive or regulatory environments. Moreover, if some of the risks described in Chapter IV “Risk factors” of the Reference Document and Chapter III “Risk factors” of this Update were to materialize, this would be likely to impact the Group's activities in particular and its ability to achieve its objectives. Moreover, the achievement of these objectives is based on an assumption for the success of the strategy described in in Section 6.6 of the Reference Document, as updated by Chapter V “Business and strategy” of this Update. The Group does not offer any commitments or any assurances that the objectives set out in this Update will be achieved.

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

# I. Responsibility for this document

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## 1.1. Person responsible for the Update

**Henri Seydoux, Chairman and Chief Executive Officer**

174-178 quai de Jemmapes – 75010 Paris

## 1.2. Statement by the person responsible for the Update

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

I certify that, to the best of my knowledge, the condensed consolidated interim financial statements for the nine-month period ended September 30, 2015 have been prepared in accordance with the accounting standards applicable and faithfully reflect the assets, liabilities, financial position and earnings of the Company and all companies included within the scope of consolidation, and that the management report for the nine-month period ended September 30, 2015, described in Chapter VII of this Update, gives an accurate reflection the main events during the first nine months of the 2015 financial year and their impact on the financial statements, the main transactions between related parties and a description of the main risks and uncertainties for the remaining three months of the year.

I have obtained a completion letter from the statutory auditors confirming that they have completed their work, in which they indicate that they have verified the information relating to the financial position and financial statements given in this Update and that they have reviewed the Update as a whole.

The report prepared by the Company’s statutory auditors following their limited review of the consolidated interim financial statements for the nine-month period ended September 30, 2015, described in Section 14.2 of this Update, does not contain any observations”.

Paris, November 13, 2015

Henri Seydoux

*Chairman and Chief Executive Officer*

## II. Selected financial informations

The historical financial information selected by the Group and presented hereafter is extracted from the Group's consolidated financial statements for the nine months ended September 30, 2015 prepared under IFRS and as set out in Section 14.1.6 under "Note 2 - Accounting rules and methods of this Update". This note details the methods retained for the preparation of these consolidated accounts.

### 2.1. Selected financial informations

These financial informations must be read alongside the consolidated financial statements of the Group presented in Chapter XIV "Financial information concerning the assets, liabilities, financial position and earnings" of this Update.

#### 2.1.1. Condensed income statement

€K	Sept, 30 2014	Sept, 30 2015	2015 / 2014 as % change
<b>Revenues</b>	<b>163.500</b>	<b>218.092</b>	<b>+33%</b>
<b>Gross margin</b>	<b>85.836</b>	<b>102.240</b>	<b>+19%</b>
<i>% of revenues</i>	<i>52%</i>	<i>47%</i>	
<b>Income for ordinary operations <sup>(1)</sup></b>	<b>-3.347</b>	<b>-3.738</b>	<b>+12%</b>
<i>% of revenues</i>	<i>-2%</i>	<i>-2%</i>	
Non-recurring items	-780	745	-196%
<b>EBIT</b>	<b>-4.127</b>	<b>-2.993</b>	<b>-27%</b>
<i>% of revenues</i>	<i>-3%</i>	<i>-1%</i>	
<b>Net income, Group share</b>	<b>-5.544</b>	<b>-3.947</b>	<b>NA</b>
<i>% of revenues</i>	<i>-3%</i>	<i>-2%</i>	
Non-controlling interests	-254	985	NA

#### 2.1.2. Revenues

€K	Q1	Q2	Q3	Q4
<b>2015 Revenues</b>	<b>71.002</b>	<b>69.240</b>	<b>77.849</b>	<b>NA</b>
2014 revenues	47.919	51.947	63.635	80.371

#### 2.1.3. Revenues and EBIT for each product range

Consolidated accounts – IFRS (€M)	Drones	Automotive	Connected devices	Other
<b>2015 revenues, 9 months</b>	<b>109.4</b>	<b>96.3</b>	<b>11.0</b>	<b>1.4</b>
<b>2015 EBIT, 9 months</b>	<b>-5.1</b>	<b>7.5</b>	<b>-3.8</b>	<b>-2.3</b>
<i>% of revenues</i>	<i>-4.7%</i>	<i>7.8%</i>	<i>-34.7%</i>	<i>NA</i>
<b>2014 revenues, 9 months</b>	<b>45.8</b>	<b>108.2</b>	<b>8.1</b>	<b>1.4</b>
<b>2014 EBIT, 9 months</b>	<b>0.2</b>	<b>3.3</b>	<b>-5.4</b>	<b>-1.5</b>
<i>% of revenues</i>	<i>0.4%</i>	<i>3.0%</i>	<i>-66.6%</i>	<i>NA</i>

#### 2.1.4. Condensed balance sheet

€K	Dec, 31 2014	Dec, 31 2015	2015 / 2014 as %
Goodwill	39.952	48.300	+21%
Non-current assets	60.553	66.810	+10%
Current assets	210.157	195.735	-7%
<b>Total assets</b>	<b>310.663</b>	<b>310.845</b>	<b>0%</b>
Shareholders' equity	183.813	158.011	-14%
Non-controlling interests	-880	389	-144%
Non-current liabilities	28.809	44.751	+55%
of which, long-term financial debt	5.189	11.882	129%

Current liabilities	98.920	107.693	-9%
of which, short-term financial debt	7.308	1.166	-84%
<b>Total liabilities</b>	<b>310.663</b>	<b>310.845</b>	<b>0%</b>

#### 2.1.5. Condensed cash flow statement

€K	Sept, 30 2014	Sept, 30 2015	(%) 2015 / 2014
<b>Cash and equivalents - year-start</b>	<b>54,263</b>	<b>70,338</b>	<b>+30%</b>
Cash flow from operations	7,917	8,800	+11%
Working capital	-6,925	-24,381	+252%
Net cash flow from operating activities	516	-18,574	NS
Cash flow from investment activities	-14,881	-15,460	+4%
Cash flow from financing activities	12,826	6,036	-53%
<b>Cash and equivalents - year-end</b>	<b>55,652</b>	<b>44,960</b>	<b>-19%</b>
Other current financial assets	25,740	13,000	-49%
<b>Net cash position</b>	<b>81,392</b>	<b>57,960</b>	<b>-29%</b>

## III. Risk factors

*The Group's risk factors are described in Chapter IV "Risk factors" of the Reference Document. This information remains accurate, as of the date of this Update, subject to updates and additional details included in the information presented in Chapter III "Risk factors" of the Update. Each of the risk factors described below specifies if it is an update of a risk factor appearing in the Reference Document or if it is a complementary risk factor to those appearing in the Reference Document.*

### **3.1. Specific risks for the Group and its structure**

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

*This risk factor updates the risk factor described in Section 4.1.4 of the Reference Document.*

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

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

#### **3.1.2. The Group may encounter difficulties in achieving the repositioning of its Automotive business**

*This risk factor updates the risk factor described in Section 4.1.5 of the Reference Document.*

In recent years, the revenue of the Automobile business has experienced a progressive decline.

During the 2014 financial year, the revenue of this business decreased by 11% compared to that of the previous financial year. As of September 30, 2015, the revenue of the Group's Automotive business decreased by 6% compared to the same period of the previous financial year.

Over the 2010 financial year, the Group decided to develop on-board Infotainment technologies within the framework of a medium to high-end positioning, adapted to its expertise and to its size, in order to serve the long-term needs of manufacturers. During the 2014 financial year, the Group acknowledged the time required for new models of connected vehicles to emerge, involving profound changes in the automotive industry, and launched a strategic review in order to identify the best conditions for ensuring the development of this business. This strategic review particularly led, during the 2015 financial year, to the conversion of the Automotive business into a subsidiary within Parrot Automotive. The development of said business of the Group strongly depends on the launch of certain key contract, over the coming years, given that for such contracts, car manufacturer do not guarantee the volumes ordered to the Group or the effective starting date of mass production. The Group's efforts in this direction may prove ineffective, and as a result, the revenue of its Automotive business may not recover or continue to decline, which could have an adverse effect on the Group's business, situation, results or on its ability to achieve its aims.

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

*This risk factor updates the risk factor described in Section 4.1.14 of the Reference Document.*

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

Therefore, since 2011, the Group acquired the following shares: (i) 100% of the capital of the companies Varioptic and DiBcom, respectively specialists of digital optics and digital mobile radio/television (and which



were merged within the Company); (ii) 61.87% of the capital of senseFly, 55.67% of the capital of Pix4D, 59.03% of the capital of Airinov, 49.05% of the capital of EOS innovation, 56.33% of the capital of MicaSense, and 45% of the capital of Iconem, which are all specialized in the Commercial Drones sector.

The Group plans to continue its external growth strategy on the market of Commercial Drones.

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

#### **3.1.4. The Group's results are seasonal and strongly depend on the sales performed during the fourth quarter**

*This risk factor updates the risk factor described in Section 4.1.12 of the Reference Document.*

The Group generates a significant part of its revenue during the fourth quarter of each financial year, due to the importance of the sales of the Group's products performed during the end of the year holiday period. Therefore, the Group's revenue for the fourth quarter of 2014 represented 33% of the Group's total revenue for this same year. As a consequence, a decline in the Group's revenue during the fourth quarter of a financial year may have an adverse effect on the Group's business, situation, results or on its ability to achieve its aims, for the entire financial year in question.

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

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

### **3.2. Risks relating to the Group's business sectors**

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

*This risk factor updates the risk factors described in Section 4.2.2 of the Annual Report.*

The Group is a new technology actor. The level of sales of products and technology solutions is influenced by the economic situation of the principal markets in which the Group operates, particularly by the economic situation in Europe and the United States where the Group generates most of its sales.

Indeed, in periods of economic downturn, the purchasing decisions of consumers or investment decisions in professional new technology may be dictated by specific considerations and are likely to be revised downwards. Particularly, consumers may decide to devote more of their spendings on necessities or goods and products considered as priorities, and defer or cancel purchases of innovative technological products such as those sold by the Group.

The level and pace of sales growth of the Group's products and solutions, be their Retail Drones (41% of Group revenues as of September 30, 2015), Commercial Drones (9% of sales Group revenues as of 30 September 2015), Automotive products and solutions (44% of Group revenues as of September 30, 2015) or Connected Devices (5% of Group revenues as of September 30, 2015) also depend on the pace of adoption and penetration of technologies proposed by the Group, as well as the marketing price of these products and solutions, all of which can be negatively impacted by an adverse economic environment.

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

**3.2.2. There is no guaranteeing that the Retail Drones or the Commercial Drones business will developed as expected, or that the Group will take these new market opportunities**

*This risk factor is a complementary risk factor to those appearing in the Reference Document.*

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

In addition, the development process of new products and services for these markets involves, by its very nature, uncertainties and significant risks, including (i) risks related to competition and to the entry of new stakeholders on these markets, (ii) risks resulting from the Group's products not achieving the expected success among customers or resellers, or being considered less satisfactory or less efficient than those of current or future competitors of the Group, (iii) risks resulting from the Group being unable to develop or maintain specific distribution channels for its products, or (iv) risks resulting from the Group being unable to develop new products to meet the new requirements of customers or resellers. The materialization of the risks above may have an adverse impact on the Group's business, situation, results or on its ability to achieve its aims.

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

*This risk factor is a complementary risk factor to those appearing in the Reference Document.*

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

Furthermore, insofar as the markets of the Retail Drones and of the Commercial Drones are currently characterizing by low barriers to entry, new entrants (for example, those with a popular product idea) may access these markets and rapidly become an important source of competition for the Group's products.

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

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

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

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

*This risk factor is a complementary risk factor to those appearing in the Reference Document.*

The Group's success partly depends on the capacity, the accessibility, the reliability and the frequency of the wireless data networks provided by wireless communications operators on which its products operate. The growth in demand for wireless data access may be limited if, for example, wireless communications operators were to cease or to significantly reduce their activities, and where unable to provide services that customers consider necessary or useful at reasonable prices, were unable to maintain an appropriate capacity to meet the demand for wireless data access, were to delay the development of their wireless networks and services, or were unable to offer and maintain reliable services. In particular, the Group's future growth depends on the successful deployment of next generation wireless data networks provided by third parties, including networks for which the Group currently develops products. If these next generation networks were not deployed or widely accepted,

or if their deployment were delayed, there would be no market for the products that the Group develops to be used on these networks. The materialization of the risks mentioned above may have an adverse effect on the Group's business, situation, results or on its ability to achieve its aims.

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

*This risk factor updates the risk factor described in Section 4.2.9 of the Reference Document.*

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

In France, most of the regulations which apply to civil drones are provided for under the French Transport Code (*Code des transports*), the French Civil Aviation Code (*Code de l'aviation civile*) and, above all, two Decrees issued by the Department of Transport on 11 April 2012. In its Report entitled "*L'essor des drones aériens civils en France : enjeux et réponses possibles de l'Etat*" presented on 21 October 2015, the General Secretariat of Defense and National Security (*Secrétariat général de la défense et de la sécurité nationale*) considers that the regulations which apply to civil drones must be subject to legislative and regulatory developments, particularly regarding the clarification of the users' obligations and raising awareness among users in order to avoid misuse (for example, by informing or training users).

At European level, Regulation (EC) No 216/2008 of the European Parliament and of the Council of 20 February 2008 on "*on common rules in the field of civil aviation and establishing a European Aviation Safety Agency*" limits its application to drones weighing over 150 kg., which does not include the products sold by the Group. However, the Report "*on safe use of remotely piloted aircraft systems in the field of civil aviation*" of 25 September 2015 calls for an amendment of the abovementioned Regulation (EC) No 216/2008, by eliminating the 150 kg limit so that the European Union may regulate drones. Said report specifically emphasizes the need to the guarantee the right to the protection of privacy and personal data.

In the United States, regulations on the flying of drones ("Unmanned Aircraft Systems") are still in their infancy, and mainly result, for the time being, from the recommendations published in February 2015 by the Federal Aviation Administration ("FAA"), competent body in this area. Regarding drones for professional use, the 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. Regarding recreational drones, corresponding to the Retail Drones of the Group, their owners are not subject, at the time of this Update, to a reporting obligation or to the prior approval of the FAA. Nevertheless, the FAA must present on 20 November 2015 at the latest, a registration system for the owners of recreational drones in order to adapt the regulatory framework before the end of the year holidays. In addition, both in the case of drones used for professional purposes and recreational drones, users must comply with several obligations related to the use of drones (for example: place of use, altitude and maximum speed).

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

- for the Group, changes in 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. In this context, it is difficult to predict the authorizations that may be required in the future, the time needed and the costs linked to the costs associated with obtaining said approvals, and there is no guaranteeing that the Group will obtain them; and
- for the users, new requirements, for example regarding training, registration or insurance, which could reduce the demand for the Group's products.

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

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

### **3.2.6. The Group may face commercial returns in the area of Retail Drones which are hard to predict**

*This risk factor is a complementary risk factor to those appearing in the Reference Document.*

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

### **3.2.7. Any significant disruption of its information systems may affect the Group**

*This risk factor is a complementary risk factor to those appearing in the Reference Document.*

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

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

In the event of a failure or a disruption of this nature occurring, in particular during the end of the year holidays during which the Group generates an important part of its revenue (see also Section 3.1.4 of this Update), the Group may experience an increase in costs, claims from clients or resellers, a loss of earnings in the event of not performing the relevant sales or said sales being cancelled, and overall, a decrease in demand for its products, which could have an adverse effect on the Group's business, situation, results or on its ability to achieve its aims.

## **3.3. Financial risks**

### **3.3.1. Foreign exchange risk**

*This risk factor updates the risk factor described in Section 4.3.1 of the Reference Document.*

The Group is exposed to two kinds of foreign exchange risk, which may have an impact on profit or loss and equity. On the one hand, risks related to conversion, for the purpose of preparing the consolidated financial statements, the consolidated foreign currency accounts of the subsidiaries with a functional currency different from the euro, and on the other hand, operational risks on the operating flows or of a financial nature and not denominated in foreign currency for the functioning of the bodies.

As of 30 September 2015, over half of the Group's revenue, almost all of its sales costs and around 10% of operational expenditure are denominated in US dollars or associated currencies, which leads the Group to be exposed to the fluctuations of said currency compared to 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 30 September 2015, 11.5% of cash and of other current financial assets of the Group is in US dollars or associated currencies.

The table of risk-sensitivity below displays the impact of a 10% appreciation or depreciation of the euro against the other currencies on the amounts of customer receivables, debts to suppliers, and financial instruments used for hedging purposes. It also specifies the way in which this impact would be reflected on the accounts:

<i>(in thousands of euros)</i>	As of Septembre 30, 2015			
	10% appreciation of currencies against the euro		10% appreciation of the euro against other currencies	
	Impact on the profit and loss account	Equity impact	Impact sur le compte de résultat	Equity impact
Trade receivables	2,465	-	-2,017	-
Other receivables attached to participating interests	-	754		-617
Debts to suppliers	-2,834	-	2,319	-
Derivative financial instruments	-	-	-	-

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

### 3.3.2. Interest rate risk

*This risk factor updates the risk factor described in Section 4.3.2 of the Reference Document.*

The Group's interest rate risk management policy intends to limit the risks related to rate fluctuations on the drawdowns on variable rate credit lines. The Group adopts a policy which consists in ensuring that all or part of the exposure to fluctuations of the interest rates or the borrowings is at fixed rates. The Group implements interest rates for the purposes of hedging the drawdowns on variable rate credit lines.

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

### 3.3.3. Risks on treasury shares and participating interests

*This risk factor updates the risk factor described in Section 4.3.3 of the Reference Document.*

The Company holds treasury shares in accordance with the share repurchase program authorized by the General Meeting of shareholders.

The share price of the Company has been historically subject to sharp fluctuations, both up and down. Said fluctuations, which may continue to occur, depend on many factors, such as the financial performance of the Group, the financial performance of the sector, technological innovations, and, overall, stock market fluctuations. As of 30 September 2015, the value of treasury shares reclassified as equity capital amounts to 8,187 for 372,070 shares, hence an average price of 22.00 euros. In case of change of the share price, shareholders' equity would be impacted.

At the date of this Update, the Group holds the following participating interests:

- 49.05% of the company EOS INNOVATION (initial participating interest in 2014 for 37.06%, increased in July 2015);
- 45.00% of the company Iconem;
- 9.93% of the company DELAIR TECH; and
- 1.60% of the company NETATMO.

### **3.3.4. Liquidity risk and counterparty risk**

*This factor updates the risk factor described in Section 4.3.4 of the Reference Document.*

The management of liquidity risk is centralized by the Group's Financial Department. This overall cash management for the Group provides the opportunity to compensate the internal cash requirements and surpluses.

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

The Company carried out a specific review of its liquidity risk and considers that it will be able to face future commitments.

#### **▪ Financial assets as of 30 September 2015**

Counterparty risk represents the risk of financial loss for the Group in case a customer or a counterparty to a financial instrument failed to fulfill its contractual obligations. For the Group, this risk essentially results from its trade receivables.

The net book value of the financial assets represents the maximum exposure of the Group to credit risk. As of 30 September 2015, maximum exposure to credit risk is presented as follows:

- trade receivables: €63.4 M (within the normal course of the Group's operating cycle);
- other receivables: €25.7 M;
- other current financial assets: €13.0 M; and
- cash and cash equivalents: €45.0 M.

Over the nine first months of the 2015 financial year, the Group's policy has been to reduce counterparty risk by distributing investments within leading banking institutions and with different maturities, while providing regular monitoring.

With regard to counterparty risk of trade receivables, a provision for doubtful receivables is recorded, which may correspond to the entire amount or a portion of the amount, determined according to the probability of recovering the receivable amount.

Credit risk is monitored within the Group by the "*Trésorerie & Credit Management*" Department. The Group monitors the payment deadlines of its subsidiaries monthly, and records the receivables that it considers irrecoverable.

In order to protect itself from credit risk and therefore hedge its risk of non-payment, the Group has implemented recovery procedures and blocked customers' accounts.

A Coface policy guarantees the non-recovery of receivables of certain French and foreign customers of the Company situated in zones "1" and "2" (respectively covering the countries of the OECD and the rest of the world in accordance with the criteria established by COFACE) for the sale of products of the company, Parrot Inc., Parrot Asia Pacific Ltd., and Parrot Automotive SAS. The sum of the guarantee amounts to 90% guaranteed net receivable excluding VAT.

#### **▪ Financial liability as of 30 September 2015**

As of 30 September 2015, financial liability is mainly made up of the following elements:

- non-current financial debts of €11.9 M (debt towards credit institutions for €10.3 M, and borrowings and other financial debts for €1.6 M); and
- current financial debts for €1.2 M (debts towards credit institutions for €1.0 M and borrowings and other financial debts for €0.2 M).

#### **Debt towards credit institutions**

In March 2015, the Company terminated a €10 M loan agreement (which had not been subject to a drawdown). Furthermore, in June and July 2015, the Company performed the early redemption and terminated two loan agreements (which had been subject to drawdowns for a total amount of €8.7 M). The Company also settled the hedge agreements to mitigate the interest rate risk relating to the abovementioned loan agreements.

On 24 July 2015, the Company implemented a new syndicated loan for a total amount of €50 M for use by drawdown, in order to finance its external growth operations. This agreement will expire on 20 June 2022, and the applicable interest rate is indexed on the 3-month Euribor.

On 4 August 2015, the Company performed the first drawdown on this credit line for €11.2 M. In parallel, the Company has implemented a new agreement to hedge its exposure to interest rate risk related to the fluctuations of the 3-month Euribor. The first drawdown mentioned above was entirely hedged at a fixed rate of 0.64% until its expiration in June 2022; this will also be the case for future drawdowns (€25 M in the second quarter of 2016 and €10 M in the second quarter of 2017) associated to the completion of the acquisitions of senseFly and Pix4D.

Within the framework of the implementation of this syndicated loan, the following covenants must be respected:

- 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 M; and
- Consolidated EBITDA as of 31 December 2015 above €12 M.

As of 30 September, the borrowing and debts with credit institutions are structured as follows:

- Borrowings: €10.855 K with €9.923 K for more than one year and €932 K for less than one year;
- Fair value of the swap: €-313 K; and
- Short-term use of credit lines: €11 K.

#### ***Borrowings and other financial debts***

They correspond to the Oséo advance received by Varioptic originally redeemable from September 2010. Said advance at a zero rate has been rescheduled by a rider of 28 September according to a timetable running between 30 September 2012 and 30 June 2016. As of 30 September 2015, the amount of the Oséo advance is of €201 K (for less than one year).

As of 30 September 2015, the fair value of the Oséo advance was estimated at €201 K in order to take into account the probability of repayment of the advances, resulting from the probability of success of the financed projects, and the updating of cash flows on the basis of a representative rate for the cost of the debt (Euro Industrial BBB-, average maturity of 5 years, namely 4.5%).

As of 30 September 2015, there are five long-term conditional loans (government loans to support young companies):

- two at senseFly for a total amount of 120 thousand Swiss Francs; and
- three at Pix4D for a total amount of 409 thousand Swiss Francs.

As of 30 September 2015, a redeemable advance at zero rate at Parrot Automotive of BPI France within the framework of the FELIN (*Futur Equipement LTE Intégré avec virtualisation*) project, seeking to develop integrated circuits and next generation equipment for 4G connected devices, in particular for the automotive sector, for €1,162 K. Said advance shall be redeemable in four annual instalments between June 2018 and June 2021.

#### ***Other debt***

As of 30 September 2015, the Group recorded within its consolidated accounts, in consideration for its equity capital, a debt relating to its reciprocal put and call agreements for securities of the senseFly, Pix4D, and Airinov companies. The reciprocal put and call agreements for senseFly securities, which will reach maturity during the first semester of the 2016 financial year, may be subject, in the event of being exercised, to payment during said financial year. The reciprocal put and call agreements for Pix4D and Airinov securities will respectively reach maturity during the 2017 and 2019 financial years (please also refer to Section 5.1.1.2 of this Update).

### **3.3.5. Risks related to off balance sheet commitments**

*This risk factor updates the risk factor described in Section 4.3.5 of the Reference Document.*

The main off balance sheet commitments of the Group as of 30 September 2015 are the following:

- a pledge agreement of a financial securities account, on all of the Parrot Automotive shares, for an amount of €35.5 M, as of 24 July 2015, granted by the Company to the banks participating in the syndicated loan mentioned above;

- a guarantee of the Company, in favor of a supplier, as a guarantee for the contractual commitments of its subsidiary Parrot Asia Pacific Ltd amounting to \$27 M;
- a supersedeas bond for a principal amount of \$11 M, as of 29 June 2015, to guarantee the suspensive effect of the appeal lodged by the Company in the dispute versus Drone Technologies; and
- future payment commitments relating to operating lease agreements (staggered between 2015 and 2021) for a total amount of €2.1 M.

### **3.4. Legal risks**

#### **3.4.1. Risks related to the Group's intellectual property**

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

*This risk factor updates the risk factor described in Section 4.4.2.4 of the Reference Document.*

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

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

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

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

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

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

Readers should refer to Section 14.4 of this Update for a description of the intellectual property disputes opposing the Company and/or some of its subsidiaries to third parties.

#### **3.4.2. Risks related to the Group's products**

##### **3.4.2.1. The Group may be subject to claims regarding the liability or the guarantee of products that could entail significant costs**

*The present risk factor is a complementary risk factor to those appearing in the Reference Document.*

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

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

Furthermore, in the event of a defect in the Group's products, the latter cannot exclude the possibility that users, resellers or other parties having suffered damage challenge the restrictions of the Group's guarantee and/or seek



to engage its liability, for example by claiming that the Group is responsible for omissions or inaccuracies within the content of the operating instructions for its products, or for failing its duty of advice. Said claims may lead to litigation.

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

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

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

*The present risk factor is a complementary risk factor to those appearing in the Reference Document.*

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

**3.5. Insurance and risk coverage**

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

*The present risk factor is a complementary risk factor to those appearing in the Reference Document.*

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

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

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

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

## IV. Information concerning Parrot

### 4.1. History

*The information below completes the table in Section 5.1.5 "History" of the Reference Document.*

Year	Events
2015	<p>2015 CES: Parrot unveils a new infotainment system (RNB 6), two new MiniDrone models (Parrot Rolling Spider and Parrot Jumping Sumo), demonstrates the Exom's capabilities (ultralight commercial quadricopter) and expands its range of connected devices (Audio: Parrot Zik Sport) and garden devices (Parrot Pot and Parrot H2O)</p> <p>Inmarsat certifies the Parrot Bebop drone for live use on its networks</p> <p>Porsche chooses Parrot for its Rear Seat Entertainment (RSE) infotainment solution</p> <p>Parrot shares eligible for the Equity Savings Plan for Small and Mid sized companies (or PEA-PME in French)</p> <p>Parrot Inc. sets up in San Francisco</p> <p>Parrot's Bebop Drone achieves French civil aviation authority approval for professional use</p> <p>A new generation of connected robots coming July 2015</p> <p>Parrot further expands its civil drone business: majority acquisition of Airinov and EOS Innovation</p> <p>Launch of the Parrot Zik 3: Everything a headset should offer</p> <p>Retail Drones: new distribution agreements in the USA (Target and AT&amp;T)</p> <p>Commercial Drones: new stakes in MicaSense and Iconem</p>

### 4.2. Investments

#### 4.2.1. Investments carried-out

Between January 1, 2015 and September 30, 2015 the Group has made the following investments:

- Intangible investments, excluding goodwill, amounted to 5.261 with 4.935 accounting for capitalized R&D (IFRS rules); and
- Tangible investments amounted to 4.768 .

On July, 17 2015, the Group acquired an additional 11.99% stake in the company EOS Innovation and now holds 49.05% of the capital. The price of the acquisition was 290 (purchase of shares of minority investors). EOS Innovation is consolidated as of August, 1 2015, according to the equity method.

On July 24, 2015, the Group acquired additional 35.77% stake in the company Airinov and now holds 59.03%. The price of the acquisition was 7.507 (subscription to a capital increase for 6.096 and purchase of shares from minority investors for 1.411 ). Airinov has been fully consolidated since August, 1 2015.

On July 24, 2015, the Group acquired an initial 45% stake in the company Iconem for an amount of 1.390 . This participation is not consolidated and is recognized in the balance sheet as a financial participation.

#### 4.2.2. Investments underway

On October 9, 2015 the Company has acquired an additional stake in an American company, MicaSense, for 6.591 and now holds 56.33% of the capital.

#### 4.2.3. Future investments

At the date of this Update, they are no significant investment project underway.

## V. Business and strategy

### 5.1. Business

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

Headquartered in Paris, the Company employs more than 950 people worldwide, with nearly half focused on research and development, and it generates the vast majority of its sales on international markets. The Company has been listed on Euronext Paris (FR0004038263 – PARRO) since 2006.

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

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

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

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

As a result of these gradual changes, Retail Drones and Commercial Drones represented around 56.3% of the Group's revenues at September 30, 2015, compared with just 18% at December 31, 2013.

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



The table below presents the recent evolution of revenues from each activity:

Consolidated IFRS revenues in millions of euros and % of revenues	Q3 2014		Q3 2015		9 month 2014		9 month 2015	
<b>Automotive</b>	<b>32.8</b>	52%	<b>30.2</b>	39%	<b>1082</b>	66%	<b>96.3</b>	44%
Retail*	10.9	17%	16.7	21%	38.3	23%	43.3	20%
Key accounts/OEM	21.9	34%	13.5	17%	70.0	43%	53.0	24%
<b>Drone</b>	<b>27.7</b>	44%	<b>44.4</b>	57%	<b>45.8</b>	28%	<b>109.4</b>	50%

Consumer	24.2	38%	38.8	50%	36.7	22%	90.1	41%
Commercial	3.5	6%	5.6	7%	9.2	6%	19.3	9%
<b>Connected Devices *</b>	<b>2.7</b>	4%	<b>2.7</b>	3%	<b>8.1</b>	5%	<b>10.9</b>	5%
Audio	2.3	4%	2.4	3%	7.1	4%	9.9	5%
Other connected devices	0.3	1%	0.2	-	1.0	1%	1.1	1%
<b>Others</b>	<b>0.5</b>	1%	<b>0.6</b>	1%	<b>1.4</b>	1%	<b>1.4</b>	1%
<b>Total Group</b>	<b>63.6</b>	100%	<b>77.8</b>	100%	<b>163.5</b>	100%	<b>218.1</b>	100%

\* Plug & Play Revenues which were included in the Connected Devices segment until December 31, 2014, were reclassified in the Retail Automotive segment as of January 1st, 2015. In the above table, the 2014 revenues have been restated to include the Plug & Play revenues in the Retail Automobile segment.

The table below shows an analysis of the consolidated revenues of the Group by region:

Revenue analysis by region (€K)	9 mo. 2015	9 mo. 2014	9 mo. 2014
EMEA	85,691	87,556	77,172
AMERICA	36,208	34,808	25,267
ASIA	22,473	16,534	17,484
<b>Retail Products</b>	<b>144,372</b>	<b>138,898</b>	<b>119,923</b>
<b>Key Accounts Products (1)</b>	<b>73,719</b>	<b>104,973</b>	<b>115,227</b>
<b>Total Group</b>	<b>218,092</b>	<b>243,871</b>	<b>235,150</b>

(1) Key Accounts products mainly include Key accounts OEM Automotive and Commercial Drones.

### 5.1.1. Drones

#### ■ History: Parrot, civil drone pioneer

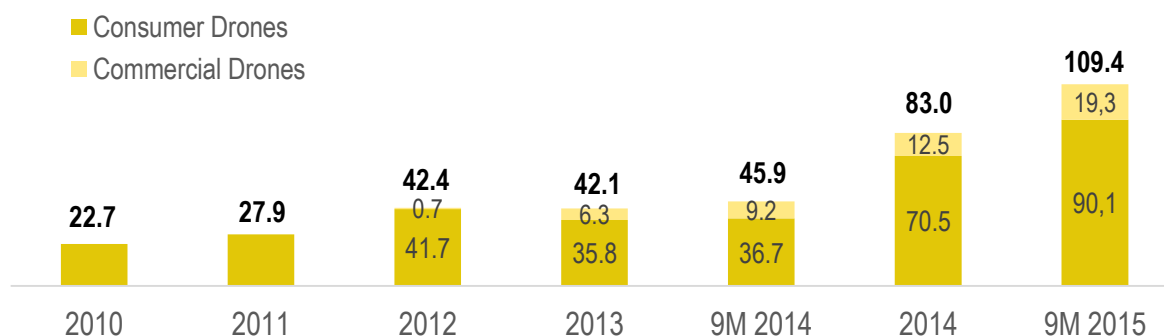
The Group has pioneered the development of civil drones, launching the Parrot AR.Drone 1.0 for consumer markets in 2010. Initially designed to offer a new form of Augmented Reality (AR) video gaming, this smartphone-controlled device proved very popular with consumers for its ability to take photos and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

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



### Change in drone revenues

CAGR 2010-2014: 30%



### 5.1.1.1. Retail Drones

#### ■ Retail Drone market

The Group has a key position on the rapidly developing Retail Drone market, which, with Commercial Drones (market presented in Section 4.1.1.2 of this Update), is one of the two civil drones segments.

The Group has been a driving force behind the emergence of growth in the Retail Drone market, particularly since 2014 with its range of MiniDrones. This market is made up of Connected Toys, represented by MiniDrones at Parrot, and Flying Cameras, like the A.R. Drones and Bebop Drone. The Retail Drone market is estimated at \$M321 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 \$bn1.5 .

**The following table presents the estimated growth rates and amounts for the Retail Drones market for 2015 to 2020:**

\$M	2015	2016	2017	2017	2019	2020	AAGR
<b>Total</b>	<b>321</b>	<b>551</b>	<b>960</b>	<b>1,191</b>	<b>1,357</b>	<b>1,533</b>	<b>37%</b>
Flying Cameras	170	364	640	827	949	1,092	45%
Connected Toys	151	187	320	364	408	441	24%

*Source: Oliver Wyman consultancy.*

- At September 30, 2015, the Group's revenues on the Retail Drone segment came to €M90.1, up 146% from September 30, 2014. In 2014, the Group generated €M70.5 in revenues on the Retail Drone segment, with 96% growth versus 2013.

#### *Competitors on the Retail Drone market*

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

In terms of Flying Cameras, the competition is more intense, faced with the products sold by DJI (China), 3DRobotics (USA) and Yuneec (China). In addition, new players such as GoPro have announced plans to enter the market within the next few months, with products that are very similar to those offered by the Group in terms of prices. However, the Group believes that it will be able to stand out from its competitors thanks to the fun, lightweight and "all-in-one" features of its Retail Drones, as well as their brand image.

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

#### ■ Group products

Following its breakthrough in the Retail Drone market, the Group has sought to develop drones that are easy-to-use, very light and linked to the smartphone ecosystem. These three key features of the Group's Retail Drones are in line with an industrial and commercial approach chosen on account of their interdependence.

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

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

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

#### ■ Parrot MiniDrones:

This differentiating strategy continued to move forward in 2014, with the first MiniDrone models launched during the summer. Ultralight, very easy to use and priced considerably lower than current consumer drones, the

MiniDrones are aimed primarily at children and teenagers. Released during the second half of 2014, the MiniDrones were a flagship product for the end-of-year holidays in particular. 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.

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

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

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

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

Building on their success, the range of MiniDrones was extended at the end of the first half of 2015.

#### ■ Parrot Bebop Drone:

The launch of the Parrot Bebop at the end of 2014, aimed primarily at the "*consumer*" market, illustrates Parrot's strategic development approach, focused on lightweight, very high-tech designs, while continuing to offer affordable prices. In addition to being easy to control, the Parrot Bebop has 1080p HD filming capabilities with digitally stabilized images, as opposed to mechanically stabilized devices (articulated arm). This patented proprietary technology, which is currently unique on the Retail Drone market, notably 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 for a price from 500 to 800 euros.

#### ■ Retail Drones sold by the Group at October 31, 2015:

*Parrot Bebop Drone*

*Recommended sales price: €499*



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

*Parrot Bebop Skycontroller*

*Recommended sales price: €499*

The Parrot Skycontroller consists in a remote control of Bebop with a strong Wi-Fi amplifier, and a smartphones or tablet dock and a HDMI video output to connect with FPV glasses. Under good conditions, it makes it possible to reach





*Parrot Bebop Drone Skycontroller*  
Recommended sales price: €899



*Parrot AR.Drone 2.0 Elite Edition*  
Recommended retail price : 299 €



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



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



*Parrot Minidrones Jumping Sumo*  
Recommended sales price: €159



a range of up to 2km with the Bebop

Version with:

- Parrot Bebop Drone and 3 batteries
- Parrot Skycontroller.

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

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)

Limited edition with:

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

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

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

*Parrot Minidrones Rolling Spider*  
Recommended sales price: €99



*Parrot Minidrones Airborne Cargo Drone*  
Recommended sales price: €99



*Parrot Minidrones Airborne Night*  
Recommended sales price: €129



*Parrot Minidrones Hydrofoil*  
Recommended sales price: €169



*Parrot Minidrones Jumping Race*

- Available in 3 colors and customizable

- Indoors and outdoors, fly up to 18 kmph
- Able to be piloted with a flick of your fingers thanks to the FreeFlight 3 free app for IOS and Android
- Takes photos (300,000 px) with the embedded, vertical mini-camera
- Freefall take-off
- Bluetooth Smart technology, V4.0 BLE
- Available in 3 colors and customizable
- Range of up to 20 meters
- 8 minutes of flying time (6 minutes with its wheels)
- Available in 2 models - Mars and Travis - and customizable
- Sturdy and shock resistant, this unique drone can be instantly customized.
- Maximum distance: 20 m.
- FreeFlight 3 free app available
- Embedded mini-camera
- Take aerial shots with the embedded vertical mini-camera
- 32 MB flash memory
- 300,000 pixel snapshot VGA (480x640).

- Available in 3 models - Swat, Blaze and MacClane - and customizable
- Equipped with two powerful LEDs with adjustable intensity, this agile, lightweight drone is ultra-stable and easy to pilot
- Fly your drone very easily via Bluetooth and FreeFlight 3
- The FreeFlight 3 app offers intuitive control from your smartphone or tablet and connects to your Airborne Night Drone with Bluetooth® Smart.
- Maximum distance: 20 m.
- FreeFlight 3 free app available
- Embedded mini-camera
- Take aerial shots with the embedded vertical mini-camera
- 1 GB flash memory.
- 300,000 pixel snapshot VGA (480x640).
- Available in 2 models - NewZ and Orak - and customizable
- The Hydrofoil is a hybrid drone with sophisticated propellers for moving on fresh water and in swimming pools
- Embedded mini-camera
- Fly your drone very easily via Bluetooth and FreeFlight 3
- The FreeFlight 3 app offers intuitive control from your smartphone or tablet and connects to your Drone with Bluetooth® Smart.
- Take aerial shots with the embedded vertical mini-camera
- 1 GB flash memory.
- 300,000 pixel snapshot VGA (480x640)
- Available in 3 models - Jett, Tuk Tuk and Max - and



*Recommended sales price: €199*



customizable

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

*Parrot      Minidrones      Jumping*  
*Recommended retail price : 199 €*



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

#### ■ Pricing strategy focused on innovation

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

#### 5.1.1.2. Commercial Drones

##### ■ Commercial Drone market

Since 2012, the Group has regularly consolidated and strengthened its position on the Commercial Drone market, and it considers that it is now a benchmark on this market. The Group has effectively capitalized on its brand image and technological expertise, focusing primarily on three segments - mapping, precision farming,

and inspection / surveillance – on which the Group has quickly and successfully rolled out adapted solutions (drones, sensors, software and services).

The Commercial Drone market is developing very quickly, driven by several key factors:

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

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

Between 2015 and 2020, the Commercial Drone market is expected to grow from \$bn1.4 to nearly \$bn5.6, with an AAGR of 32%<sup>1</sup>. Currently driven primarily by drones for audiovisual use, the market's future development is expected to be based on growing use by certain industries such as mapping, precision farming, and inspection and surveillance. The market's growth is expected to be relatively consistent across the three main continents: the Americas, Europe and Asia-Pacific. Lastly, the expansion of Commercial Drones is also expected to encourage the development of adapted software and sensors. The Group believes that it should be able to capitalize on its unique positioning to profit from the market's growth.

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

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

Source: Marketsandmarkets

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

	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

For the nine months ended September 30, 2015, the Group's total revenues on the Commercial Drone segment came to €M19.3, up 111% from the nine months ended September 30, 2014. In 2014, the Group generated €M12.5 in revenues on the Commercial Drone segment, up 98% from 2013.

### Competitors in the Commercial Drone segment

According to Marketsandmarkets, DJI was the market leader for Commercial Drones in 2014, followed by the Group and 3D Robotics, which were ranked second and third respectively. DJI's leading position reflects its "*prosumer*" positioning, adopted several years ago, and above all its strong presence in the audiovisual industry,

<sup>1</sup> Source: Marketsandmarkets.

which is the largest segment on the Commercial Drone market. On the other hand, DJI's position is not as strong as the Group on certain segments such as precision farming.

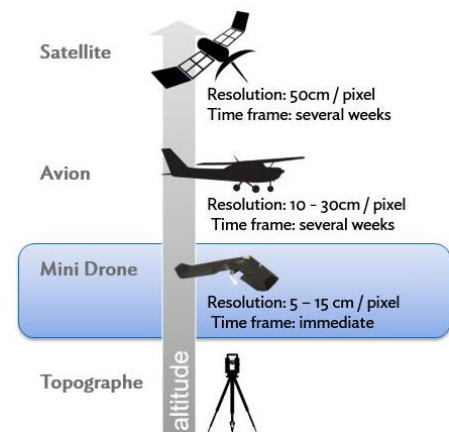
In addition to DJI and 3D Robotics, the other firms on this market, particularly in the US, include Precision Hawk, Aerovironment (listed on Nasdaq) and Trimble (listed on the NYSE). These firms are either civil drone specialists that are focused on a niche application and their product ranges are not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

## ■ Group products

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

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

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



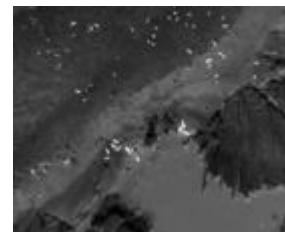
## ■ Initial cases using civil commercial drones: all the following missions were completed with senseFly drones.



Positioning a 3D building on an actual site



Assessing damage following a forest fire in Lithuania



Counting the seal population on Canada's northeast coast



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



Reviewing needs to replenish beaches in southeast England



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

The Group now has majority investments in four associates and a range of carefully selected technologies to serve three target markets in priority, chosen 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 \$M150 in 2015<sup>3</sup>. This segment is expected to see average annual growth of 24%, with the market to reach \$M431 by 2020<sup>3</sup>.
- *Precision farming*: the Group identified the potential of the precision farming market very early on, made possible by the combination of drones, sensors and algorithms for conversion into agricultural recommendations. The Group has successfully developed a technology that is particularly well-suited to this segment, notably through its acquisitions of the following companies: senseFly, Airinov and MicaSense, Inc. (also see below). This segment offers one of the highest rates of growth on the Commercial Drone market. Drone sales are estimated at \$M205 for 2015 and are expected to reach \$bn1.2 by 2020, with an AAGR of 42%<sup>2</sup>.
- *Inspection and surveillance*: the Commercial Drone segment covering inspection (civil engineering structures, infrastructures and facilities) and surveillance of sensitive areas (warehouses, industrial sites, large stores), protected locations (natural sites) or accident sites is estimated at \$263 million in 2015<sup>3</sup>. The inspection and surveillance drone market is expected to see average annual growth of 36% and reach \$1.2 billion by 2020<sup>3</sup>.

## ■ Group entities specialized in Commercial Drones

### • senseFly

On the date of this Update, the Group held a 61.87% interest in senseFly (acquired in 2012 for a €M4.2 investment). The investment agreements notably include cross put and call options that may be exercised in 2016 for the remaining capital, with a variable price based on the revenues and EBIT achieved by senseFly at December 31, 2015. senseFly is fully consolidated since 2012.

Incorporated in November 2009, senseFly is a startup from the Ecole Polytechnique Fédérale de Lausanne (EPFL), which has specialized in developing and selling self-piloting minidrones for mapping, farming and inspection. Today, the company has around 100 employees.

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

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

### • Pix4D

On the date of this Update, Parrot held a 55.67% interest in Pix4D (acquired in 2012 for a €M3.9 investment). The investment agreements notably include cross put and call options that may be exercised in 2017 for the remaining capital, with a variable price based on the revenues and EBIT achieved by Pix4D for the financial years 2015 and 2016. Pix4D is fully consolidated since 2014.

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

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

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<sup>2</sup> Source: Marketsandmarkets.

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

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

- **Airinov**

On the date of this Update, the Group held a 59.03% interest in this company (acquired for a €M9.1 investment). The management team and founders hold the remaining 40.97%. The investment agreements notably include cross put and call options that may be exercised in 2019 for the remaining capital, with a price based on the revenues and earnings achieved by Airinov in 2017 and 2018. Airinov is fully consolidated since September 30, 2015.

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

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

Airinov generated €M1.4 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.**

On the date of this Update, the Group held a 56.33% interest in MicaSense, Inc. (acquired for an €M8.2 investment). The investment agreements notably include cross put and call options that may be exercised in 2019 for the remaining capital, with a variable price based on the revenues and earnings achieved by MicaSense in 2017 and 2018. MicaSense, Inc. 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) by three drone industry experts. MicaSense, Inc. designs advanced data gathering and processing systems for precision farming: its RedEdge™ sensor, well-known for its speed and performance, is used by several major drone brands.

To provide fast and accurate crop health information, MicaSense, Inc. also offers ATLAS, a powerful cloud service for the storage, processing, analysis and presentation of multispectral data. These proprietary analytics tools make it possible to provide time-based trends (water, soil, fertilizer and pests) and change maps for crops,

optimizing their management. The raw data collected by the sensors are analyzed and processed by ATLAS, which converts them into information that can be directly used by farmers and their existing hardware.

### • EOS Innovation

On the date of this Update, the Group held a 49.05% interest in EOS Innovation (acquired for a €M1.3 investment). In addition, the Group subscribed a €M2 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 since September 30, 2015.

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

### ■ Commercial Drones, sensors and software sold in 2015:

#### *Parrot SENSEFLY - SWINGLET CAM*



Mapping drone (1st generation)

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

#### *Parrot SENSEFLY – eBee / eBee AG / eBee RTK*



Mapping drone (2nd generation)

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



#### *Parrot SENSEFLY - eXom (commercial launch end of H1 2015)*



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



<i>Parrot Pix4D – Mapper</i>	
	Photogrammetry software for surveyors and agriculture <ul style="list-style-type: none"> <li>- Software for converting drone images into 3D models with photogrammetry, for use by surveyors in all geographic information systems</li> <li>- For agriculture, the Pix4D software also calculates a large number of indexes based on multispectral cameras</li> </ul>
<i>Parrot Airinov – AgriDrones</i>	
	Sensors and services for agricultural drones <ul style="list-style-type: none"> <li>- 7 view-points to improve accuracy</li> <li>- Reflectance signal rectification (automatic calculation of the sun's position)</li> <li>- Wide angle with ground resolution of 5 to 30 cm per pixel (depending on the drone's flying height)</li> <li>- Proprietary software for analyzing results and issuing recommendations (direct data transfer from the sensor to the tractor)</li> </ul>

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

■ **Group's minority interests in specialized Commercial Drone companies**

Delair Tech (9.93% interest acquired in October 2013 for €M1, not consolidated, recorded on the balance sheet as a financial investment): this Toulouse-based company is located at the heart of the French aerospace region and designs, produces and sells aerial observation solutions using long-endurance drones for industrial and agricultural sectors. Delair-Tech is designed primarily for carrying out surveillance missions of linear infrastructures (power lines, railways, inland waterways, pipelines, etc.), taking environmental measurements in inaccessible areas and meeting requirements for mapping large areas (surveying, crop mapping).

Iconem (45% interest acquired in July 2015 for €M1.4, not consolidated, recorded on the balance sheet as a financial investment): this company, founded in 2013, is specialized in the digital conservation of archaeological sites. The images and data captured using Commercial Drones (GPS coordinates, area, volume, height, etc.) are processed using algorithms developed in partnership with the digital sciences research institute (Inria Rocquencourt) and make it possible to generate very accurate 3D models (1 pixel/cm). These advanced technological capabilities make it possible to take measurements for normally inaccessible areas, in addition to creating exact digital replicas of sites and monitoring their changes over time. Iconem, with support from Inria, Microsoft France and the Joint Inria-Microsoft Research Center, is rolling out its solutions with UNESCO, the World Bank and even National Geographic.

### 5.1.2. Connected Devices

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

At September 30, 2015, revenues from Connected Devices came to €M11, compared with €M8.1 at September 30, 2014 (+35%). This growth is attributable entirely to the good performances by the Parrot Zik 2.0 headphones, while Flower Power sales have remained stable.

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

In autumn 2015, the Group also launched sales of the Parrot ZIK 3.0 headphones, which include new features compared with previous generations, such as new colors, improved design, wireless charging, USB hi-fi quality and optimized intelligent noise cancellation. These innovations help the Parrot ZIK headphones to stand out and are in line with the Group's pricing policy focused on innovation (with the same policy applied for Retail Drones, as presented in Section 5.1.1.1 of this Update). On a highly competitive audio headphones market which includes major global brands (e.g. Bose, JBL, Sennheiser and Sony), the Group has successfully designed a first-class product that is appreciated by consumers and the media, that, through its innovative features and design, benefits from a high-end positioning and stands out from other similar products.

The range of products offered by the Connected Devices business will certainly be further strengthened in 2016, particularly with new connected devices for plants (Parrot POT and Parrot H2O), as well as a sports version of the ZIK headphones, all presented in 2015.

### **5.1.3. Automotive**

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

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

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



## ■ From Bluetooth handsfree kits to a complete infotainment platform

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

- The acquisition of 100% of DiBcom's capital in July 2011 for €M29.4 (acquisition of shares for €M15.9 and net debt buyback for around €M12), enabling the Group to benefit from a dedicated leading-edge technology for mobile digital radio and television.
- The development of a seventh generation of the Parrot chip, the P7, bringing automotive, connectivity and telecoms needs together.
- The development of a new Android-based software solution compatible with the high quality and reliability standards demanded by the automotive industry.
- The creation of a platform for downloading specially designed automotive applications: the ASTEROID Market.

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

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



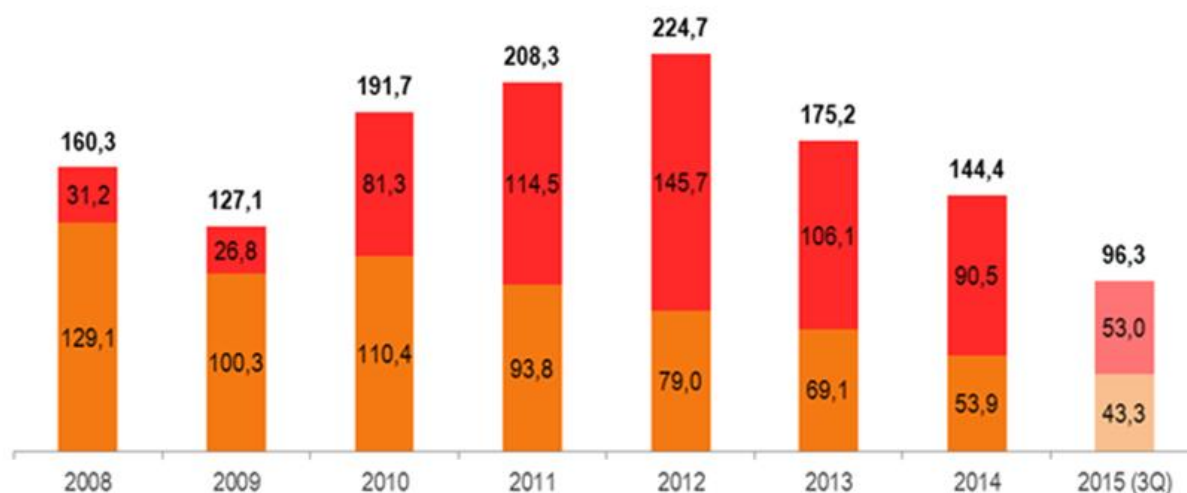
Through its new "Parrot ASTEROID" retail solutions and its long-established multimedia connectivity expertise, Parrot is positioning itself to lead the field on this significant and growing market.

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

## Change in Automotive revenues

■ Key accounts (OEM)

■ Retail (installed kits and plug and play)



In 2014, Automotive revenues came to €M144.4 , representing 59.2% of the Group's revenues. The Automotive business is down 17.5% from the previous year, in line with the transition to infotainment solutions, reflecting the gradual withdrawal from contracts for previous generation products.

This trend slowed down during the first nine months of 2015, with revenues contracting 6% from €M108.2 at September 30, 2014 to €M96.3.

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

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

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

## 5.2. Competitive advantages

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

### 5.2.1. Brand renowned for its reliable and innovative products

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

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

The Group stands out from the competition by capitalizing on its R&D team of over 500 people, renowned for its software development and programming expertise, enabling it to build up an extensive portfolio of patents.

For over 20 years, this team has successfully developed technologies adopted from the ecosystem for phones then smartphones (GPS, accelerometer, gyroscope, MEMS (Microelectromechanical Systems), wifi, etc.) to find new commercial opportunities, as shown by the changes in the scope for the Group's business since 1994. The expert signal processing, voice recognition and chip design capabilities built up by the Group's teams are particularly renowned.

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

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

### **5.2.3. Ability to launch benchmark products for new uses on the growing drone market**

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

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

### **5.2.4. Flexible organization based on a proven ability to develop new markets and adapt to their growth**

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

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

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

### **5.2.5. Unique positioning throughout the drone market's value chain**

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

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

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

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

#### **5.2.6. Proven track record and know-how for acquiring and integrating companies**

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

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

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

#### **5.2.7. Development model combining innovation and profitable growth**

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

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

- effective control over setting its sales prices;
- active management of product lifecycles;
- use of components produced on a large scale;
- fabless model; and
- careful selection of partners and distributors.

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

### **5.3. Strategy**

#### **5.3.1. Drones**

##### **5.3.1.1. Maintaining an ambitious strategy for innovation and technology**

The Group intends to maintain its technological lead for Retail and Commercial Drones, which it believes have major potential for development. Large numbers of innovations will gradually be proposed and improved, including: (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 (ease-of-use). These innovations are key focus areas for current developments by the Group's research office and they will be enhanced with features aiming to ensure 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 a policy to continuously adapt conditions for use, should eventually narrow the gap between Retail Drones and Commercial Drones.

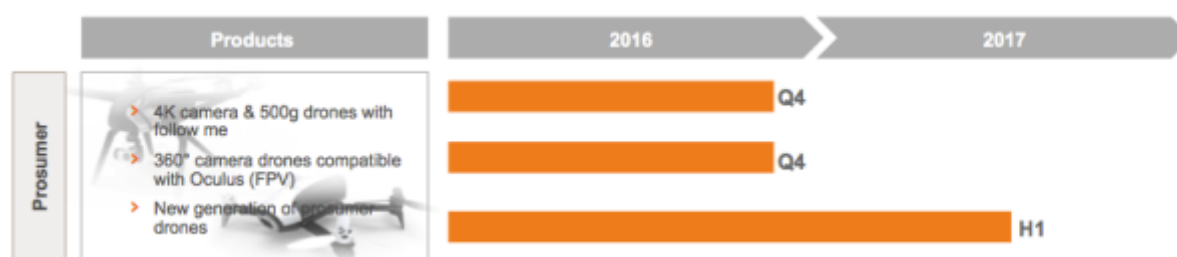
The Group also intends to maintain its technological lead in the Automotive sector.

### 5.3.1.2. Maintaining a position as a recognized leader on the Retail Drone market

The Group aims to maintain its position as a recognized leader on the Retail Drone market by implementing a strategy for rapid sales growth based on:

- regularly renewing its range with original products that continue to meet users' needs and help drive the development of new uses. The innovations introduced with the Bebop Drone (launched at the end of 2014), including digital image stabilization (Group's proprietary technology), illustrate this;
- implementing an ambitious marketing strategy, strengthening the financial and human resources deployed in this area;
- moving forward with the company's digitalization and an ambitious plan to develop the Group's own online sales on the [www.parrot.com](http://www.parrot.com) site;
- constantly adapting the services offered to users, particularly in terms of after-sales service and quality monitoring;
- continuing to expand its physical and online distribution network to support the market's development.

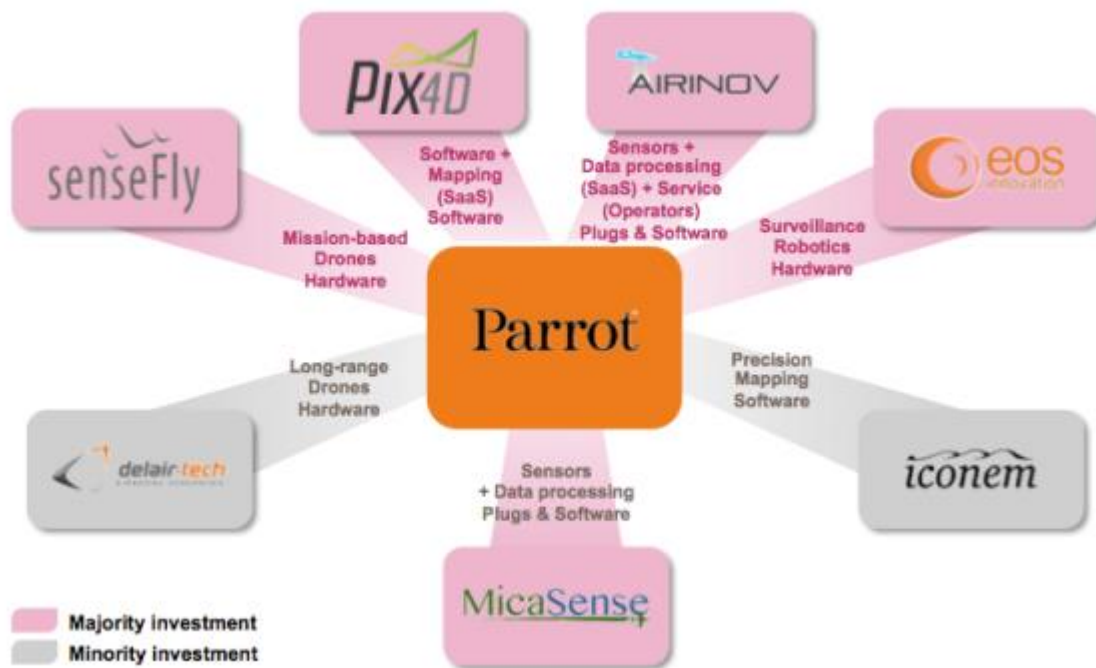
As part of its strategic objectives, the Group plans to continue expanding its Retail Drones ranges. The next innovations mentioned above mainly include:



### 5.3.1.3. Continuing to develop rapidly on the Commercial Drone market

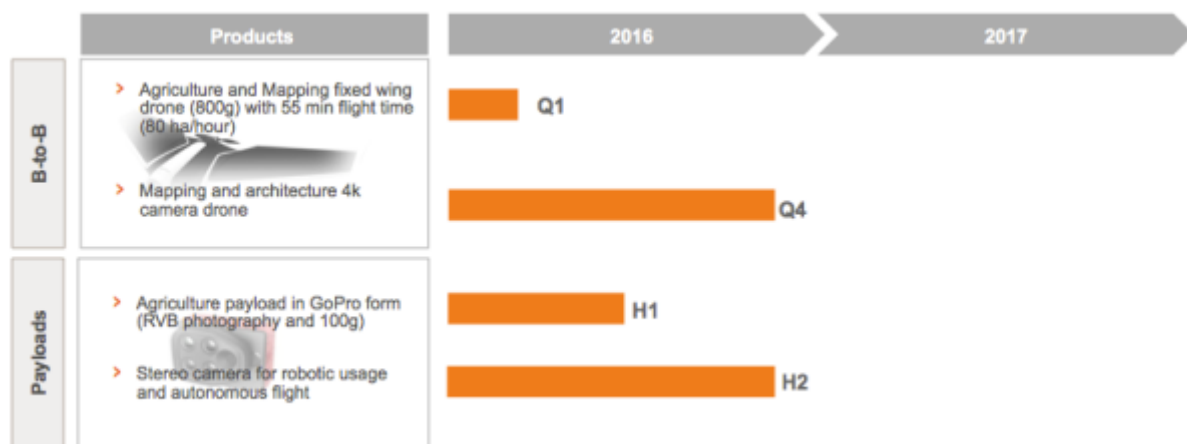
To continue with its rapid development on the Commercial Drone market, the Group aims to focus on a strategy based around:

- Accelerating the development of the Commercial Drone ecosystem, which the Group has successfully established by acquiring and integrating 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 prepare these companies for the markets opening up, particularly by further strengthening their commercial capabilities and regional coverage;



- In the short 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 professions.

The next innovations mentioned above mainly include:



#### 5.3.1.4. Continuing with an external growth strategy on the Commercial Drone market

The Group's ability to assemble and unite together innovative companies in order to accelerate their development and further strengthen their technological expertise is key to the Group's success on the Commercial Drone market.

The Group aims to continue moving forward with this strategy to acquire targets with similar profiles, focusing on:

- their technological expertise;
- their business expertise;
- their management team's ambition and quality;
- their business model's compatibility with the Group's model.

Alongside this, the Group may also make acquisitions in the Retail Drone sector, depending on opportunities.

### **5.3.2. Automotive**

#### **5.3.2.1. Ensuring a successful transition from a car-kit offering to an infotainment offering**

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

In 2014, the Group acknowledged the time required for new models of connected vehicles to emerge, driving far-reaching changes within the auto industry, and carried out a strategic review in order to identify the best conditions for ensuring the development of this business.

In particular, this strategic review process led to the hive-down of the Automotive business within Parrot Automotive in 2015. With an independent legal structure, the Automotive Business now benefits from a clarification of its image in relation to its clients and partners, while being able to count on better assets to drive its continued development.

The development of this business line within the Group is heavily dependent on the launch 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 production, following a research and analysis phase. The final contracts are scheduled to move into production in 2017. By this date, the Group is targeting a resumption of growth in this business, after stabilizing it one year earlier. 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. Depending on the results effectively achieved in 2017 and the prospects on this date, the Group will assess its options on this market.

#### **5.3.2.2. Respecting the Group's profitability requirements**

The Group will continue with its strategy to maintain the profitability of its Automotive Business, with this activity being repositioned, despite the expected contraction in revenues for this activity in 2016.

To achieve this, the Group will continue to adapt its organization and take the measures required. The reorganization that preceded the hive-down of the Automotive business helped generate new economies of scale in particular, while enabling the Drone business to access additional commercial and R&D resources.

### **5.3.3. Connected Devices**

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

It should be noted that the Retail Drones and the resulting expansion into Commercial Drones are the result of work carried out within the Innovation Lab over several years. The success of the drones, as well as the Parrot Zik audio headphones, has clearly demonstrated the potential for growth with the Innovation Lab. Today, Parrot would like this business' operations 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.

### **5.4. Key developments since May 1, 2015**

The Group's significant press releases published since May 1, 2015 are presented below in chronological order, with the exception of the press releases published on May 4, 2015 (Legal proceedings in the United States; the reader should refer to Section 14.4 of this Update), May 13, 2015 (Q1 2015 earnings; the reader should refer to Chapters II, VII and XIV of this Update), July 1, 2015 (Summary of the Combined General Shareholders Meeting of June 30, 2015; the reader should refer to Chapters VI and section 15.1.4 and 15.2 of this Update), July 30, 2015 (Q2 2015 earnings; the reader should refer to Chapters II, VII and XIV of this Update), August 6, 2015 (Release of the half-year financial report; the reader can also check Chapter II, VII and XIV of the present Update), November 9 2015 (Summary of the Extraordinary General Meeting of November 6, 2015; the reader should refer to Chapters VI and Section 15.1.4 of this Update).



**May, 18, 2015**

Parrot's Bebop Drone achieves French civil aviation authority approval for professional use. Bebop Drone can now be used in S-2 and S-3 scenarios



Drones can be used for recreational purposes virtually everywhere without needing to complete any administrative processes (excluding populated and built-up areas, sensitive, industrial, military or airport locations), provided that they remain in the pilot's direct line of sight.

Professional drone use is determined based on how the videos and data collected are themselves used. Since 2012, France has put in place regulations offering possibilities for drone operators to use images professionally, enabling them to develop new activities. At the end of 2014, 1,191 operators were listed (source: DGAC).

The Bebop, Parrot's latest retail drone, has been awarded the French civil aviation authority approval needed to be used at distances up to 1,000 meters (scenario S-2) or in built-up areas (scenario S-3).

Ultra-light (less than 500 gr), compact, robust, remarkably stable thanks to its many sensors and equipped with a 14 megapixel Full HD camera with patented digital stabilization technology, the Bebop is generating growing interest among professionals.

Extremely easy to pilot, it can be combined with an optional controller – Parrot Skycontroller – enabling it to fly further, in line with the demands of professional operators.

Many professional operators currently use heavy drones, with kit units making it possible to carry cameras or sensors.

Camera miniaturization has made it possible to develop lightweight drones like the Bebop that are easy to pilot, affordable and offer outstanding quality images, opening up new possibilities for professional markets.

### **Operational scenarios**



For the media, the Bebop Drone is opening up new live reporting possibilities, thanks in particular to the partnership set up between Parrot and Inmarsat, a global satellite operator.



The Bebop is controlled via wifi with the Skycontroller, which broadcasts the video in real-time thanks to its HDMI output. Software installed on a laptop computer and an Inmarsat station then transmit the streams to a geostationary satellite, which sends them back to an Inmarsat base on the ground. The images can then be sent to any TV channel broadcasting centers around the world.

For **inspecting and monitoring buildings**, the Bebop Drone makes it possible to observe detailed elements and check for any issues, avoiding the need to put up scaffolding for instance.

The Bebop Drone can squeeze into the tightest spots, thanks in particular to its small size and its side protection bars.

The pilot will be able to monitor the drone's progression live thanks to the video streamed in real time from its front camera to the pilot's tablet or smartphone screen.



For the real estate industry, the Bebop Drone offers new possibilities for promoting properties, through videos that can be posted on online sales sites or 3D reconstructions enabling potential buyers to take virtual tours of properties.

These new markets follow on from the various markets already served by Parrot, through its subsidiary senseFly, which offers drones for mapping, agriculture and inspection.

### **June 11, 2015: A new generation of connected robots coming this fall!**



- 13 ultra technological connected robots join the Parrot Minidrones team.
- Equipped with new capabilities, these highly playful drone toys are ready for action on the ground, in the air and on the water!

Plunge into the era of connected toys with the second generation of Parrot Minidrones. Our advanced, miniaturized robots are piloted with a smartphone or a tablet via the free piloting app, FreeFlight 3. Regrouped in three clans, they are ready to take on all your challenges!

#### **The 'Jumping'**

These super rovers roll, rush, zigzag, take turns at 90 degrees and jump up to 2.5 feet high or long! They can see, listen and talk thanks to an embedded wide angle camera, a microphone and a speaker.

- The **'Night'** are equipped with two powerful LED lights with adjustable intensity to illuminate the dark.
- The **'Race'** are racing cars capable of doing 8 mph bursts of speed.

#### **The 'Airborne'**

These quadricopters are aces of acrobatics and can perform flips and rip through the air at 11 mph.

- The **'Night'** can fly during the day and night thanks to two powerful LED lights with adjustable intensity.
- The **'Cargo'** are transport drones, capable of carrying figurines or toy bricks.

#### **The 'Hydrofoil'**

These flying drones are attached to a hydrofoil that hovers and glides across the water. They can reach the speeds up to 5.4 knots (6 mph).

### **Introducing Parrot Jumping, *the smart terrestrial robots***

The '**Jumping**' are smart terrestrial robots piloted in Wi-Fi 2.4 or 5 Ghz via the free **FreeFlight 3** application<sup>3</sup>.

- **Embedded camera:** they are equipped with a wide angle camera that streams live, immersive views on the screen of the piloting smartphone or tablet. They take pictures and videos which are directly stored on the internal 4GB flash memory.
- **Embedded speaker and microphone:**
  - **They talk:** depending on their mood, they 'bip', 'ziiip', 'groutch', like any robot!
  - **Walkie talkie:** you can talk and listen through them. Imagine getting close to a cat and surprising it with the cry of a mouse!
- **A patented spring-mounted system:** true tumblers, they can jump up to 2.5 ft. in height and length and always land on their wheels!
- **Automatic movements:** the Jumping perform acrobatics, without the need for training: spin around, jump, roll upside down, push or hit an object.
- **Retractable wheels:** large or compact mode to adapt to all driving styles.
- **A programmable road plan:** a 'road plan' enables you to program a course and actions. The itinerary appears on the app among the predefined movements. You just have to click on it to see the Jumping Drones maneuver autonomously.

#### **Discover:**

- The **Jumping 'Night'**, robots equipped with two powerful LED lights with adjustable intensity.
- The **Jumping 'Race'**, true racing cars capable of quick acceleration with 8 mph bursts of speed!

### **Plunge into the dark with the Jumping Night!**



The **Jumping Night** can see in the dark. You just have to activate their powerful LED lights from the FreeFlight 3 application and adjust the intensity. They can also send light signals to indicate that the coast is clear or to give notice of a danger.

They can patrol and take complete video reports, even in dark areas.

- Maximum speed: 4 mph
- Jump: up to 2.5 ft. (height & length)
- Battery life: 20 minutes – fast charging in 25 minutes (with a 2.6A charger, not included)

**3 characters available: Diesel, Buzz and Marshall**

### **Challenge the clock with the Jumping Race!**

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<sup>3</sup>For iOS & Android smartphones and tablets



Equipped with a powerful engine and large wheels for perfect traction, the **Jumping Race** reaches up to six mph thanks to “boost” mode which is enacted through the FreeFlight 3 app.

The two large retractable wheels adapt to all driving styles.

- Wheels open, for greater stability in high-speed, ideal on smooth roads.
- While compact to increase agility and drive through narrow areas.

Thrills guaranteed!

- Maximum speed: 8 mph
- Jump: up to 2.5 ft. (high & length)
- Battery life: 20 minutes – Fast charging in 25 minutes (with a 2.6A charger, not included)

**3 characters available: Jett, Max and Tuk-Tuk**

#### **Introducing Parrot Airborne, *the flying acrobatic robots***

Ultra-compact and light-weight (1.2 lbs.<sup>4</sup>), the **Parrot ‘Airborne’** are flying robots piloted in Bluetooth Smart via the free **FreeFlight 3** app for smartphones and tablets<sup>5</sup>.

Comfortable both indoors and outdoors, they are equipped with a removable polyamide hull to protect the propellers.

- **Full of sensors:** The **Parrot ‘Airborne’** have remarkable flight stability and utilize technologies usually dedicated to larger drones:
  - **A 3-axis accelerometer and a 3-axis gyroscope** measure and analyze each movement or inclination of the drone and, thanks to the autopilot, rectify the position of the Minidrone.
  - **A vertical camera** compares, every 16 milliseconds, an image of the ground to the previous one to determine the speed of the Minidrone. It also enables the Minidrone to take snapshots, which are saved on the 1 Gb flash memory<sup>6</sup>. Perfect for aerial “selfies.”
  - **An ultrasound sensor** analyzes the flight altitude up to 13 ft. Beyond, a pressure sensor controls the Minidrone in altitude.
- **Aces of acrobatics:** The **‘Airborne’** can do high-speed flights: they rush up to 11 mph, turn right, turn left and perform flips with amazing fluidity and stability. A ‘swipe’ on the piloting screen and the **Parrot ‘Airborne’** turn 90 or 180 degrees in a flash.  
They are always on alert. Toss them into the air and their sensors detect it instantaneously: engines start automatically and the **‘Airborne’** stabilize in the air!

#### **Discover:**

- The **Airborne ‘Night’**, built to fly during the day and night thanks to two powerful LED lights with adjustable intensity.
- The **Airborne ‘Cargo’**, transport drones able to carry figurines or toy bricks.
- 

**Set out on an expedition with the Airborne Night!**

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<sup>4</sup>Weight without hull

<sup>5</sup>iOS & Android

<sup>6</sup>Transferred on a computer via the embedded micro-USB connector



Thanks to their powerful white LED lights activated from the **FreeFlight 3 app**, the **Airborne Night** can explore even in the shadows of darkness.

During night patrols, you can modify the intensity of their headlights and, same as for their terrestrial counterpart, you can send signals with flashing lights!

They can explore areas that are dim and only accessible by air.

- Maximum speed: 11 mph
- Battery life: 9 minutes without hull -- Fast charging in 25 minutes (with a 2.6A charger, not included)

**3 characters available: SWAT, Mac Lane and Blaze**

### **Embark on daring missions with the Airborne Cargo!**



The **Parrot Airborne Cargo** are transport drones capable of carrying a toy pilot or any kind of miniature freight, like toy blocks.

This customization potential opens the imagination to limitless adventures!

- Maximum speed: 11 mph
- Battery life: 9 minutes without hull -- Fast charging in 25 minutes (with a 2.6A charger, not included)

**2 characters available: Mars and Travis**

### **Introducing Parrot Hydrofoil, the hybrid robots uniting water and air**



Piloted in Bluetooth Smart from **FreeFlight 3** application<sup>7</sup>, the **Hydrofoils** are flying Minidrones that can be attached to a hydrofoil.

They rise out of the water to hover over the surface and rush like the racers in a sailing match.

- Once the engines are on, the upper part of the Hydrofoil positions perpendicularly to the nautical structure.

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<sup>7</sup> iOS & Android

Thanks to the four propellers of the Minidrone, it slides through the water and stays about 2 inches above the surface with amazing stability and agility.

- As the water resistance is reduced, it can reach the maximum speed of 5.4 knots (6 mph) and turn in a flash without capsizing.
- Equipped with all the capabilities that are common to the 'Airborne' drones<sup>8</sup>, the Hydrofoils can be separated from their nautical structure in order to fly through the air and do breathtaking aerial acrobatics!
- Maximum speed:
  - 11 mph in the air
  - 6 mph (5.4 knots) on water (*it is recommended to use the Hydrofoil on freshwater*)
- Battery life: 7 minutes -- Fast charging in 25 minutes (with a 2.6A charger, not included)



**2 characters available: Orak & New Z**

#### Technical specifications

Jumping Night	Jumping Race	Airborne Night	Airborne Cargo	Hydrofoil
Flash memory 4GB	Flash memory 4GB	Flash memory 1GB	Flash memory 1GB	Flash memory 1GB
Camera	Camera	Camera	Camera	Camera
VGA Video/Photos (640 x 480 px) 30 frames per second	VGA Video/Photos (640 x 480 px) 30 frames per second	Snapshot VGA (480x640) 300,000 pixels	Snapshot VGA (480x640) 300,000 pixels	Snapshot VGA (480x640) 300,000 pixels
Specific Characteristics	Specific Characteristics	Specific Characteristics	Specific Characteristics	Specific Characteristics
White LEDs	Large wheels	White LEDs	Customizable	Removable nautical structure
Microphone Speakerphone	Microphone Speakerphone	Removable hull in polyamide	Removable hull in polyamide	
Speed & Jump	Speed & Jump	Speed	Speed	Speed
Up to 7km/h (4.3 mph) Jump: 80 cm/2.5 ft. (high/long)	Up to 13km/h (8mph) Jump: 75 cm/2.5 ft. (high/long)	Up to 18 km/h (11.2 mph)	Up to 18 km/h (11.2 mph)	Up to 18 km/h (11.2 mph) in the air Up to 10km/h (6.2 mph) on water
Connectivity	Connectivity	Connectivity	Connectivity	Connectivity
Generates its own Wi-Fi® (AC) 2.4 or 5 Ghz Range: up to 50 m/164 ft.	Generates its own Wi-Fi® (AC) 2.4 or 5 Ghz Range: up to 50 m/164 ft.	Via Bluetooth® Smart Range: up to 20 m/65 ft.	Via Bluetooth® Smart Range: up to 20 m/65 ft.	Via Bluetooth® Smart Range: up to 20 m/65 ft.
Application	Application	Application	Application	Application
FreeFlight 3, free app for smartphones and tablets iOS & Android	FreeFlight 3, free app for smartphones and tablets iOS & Android	FreeFlight 3, free app for smartphones and tablets iOS & Android	FreeFlight 3, free app for smartphones and tablets iOS & Android	FreeFlight 3, free app for smartphones and tablets iOS & Android

<sup>8</sup>Except the LEDs and the capability to carry figurines

Battery	Battery	Battery	Battery	Battery
Rechargeable Lithium-Polymer 550 mAh battery Lasts up to 20 min	Rechargeable Lithium-Polymer 550 mAh battery Lasts up to 20 min	Rechargeable Lithium-Polymer 550 mAh battery Lasts up to 9 min (7 min with hull)	Rechargeable Lithium-Polymer 550 mAh battery Lasts up to 9 min (7 min with hull)	Rechargeable Lithium-Polymer 550 mAh battery Lasts up to 9 min (7 min with structure)
Fast charge: 25 min (with 2.6 A charger not included)	Fast charge: 25 min (with 2.6 A charger not included)	Fast charge: 25 min (with 2.6 A charger not included)	Fast charge: 25 min (with 2.6 A charger not included)	Fast charge: 25 min (with 2.6 A charger not included)
OS	OS	OS	OS	OS
Operates under Linux Free SDK for developers	Operates under Linux Free SDK for developers	Operates under Linux Free SDK for developers	Operates under Linux Free SDK for developers	Operates under Linux Free SDK for developers
Dimensions & Weight	Dimensions & Weight	Dimensions & Weight	Dimensions & Weight	Dimensions & Weight
Large wheels: 186 x 155 x 116 mm (7.3 x 6.1 x 4.5 in)	Large wheels: 189 x 155 x 116 mm (7.4 x 6.1 x 4.5 in)	With hull: 180 x 185 x 40 mm (7.0 x 7.2 x 1.5 in) 63 gr/2.2 oz.	With hull: 180 x 185 x 40 mm (7.0 x 7.2 x 1.5 in) 63 gr/2.2 oz.	With hydrofoil: 320 x 340 x 140 mm (12.5 x 13.7 x 5.5 in) 247 gr/87 oz.
Tightened wheels: 143 x 155 x 116 mm (5.6 x 6.1 x 4.5 in) 192 gr/ 6.7 oz.	Tightened wheels: 143 x 155 x 116 mm (5.6 x 6.1 x 4.5 in) 205 gr/7.2 oz.	Without hull: 150 x 150 x 40 mm (5.9 x 5.9 x 1.5 in) 54 gr/1.9 oz.	Without hull: 150 x 150 x 40 mm (5.9 x 5.9 x 1.5 in) 54 gr/ 1.9 oz.	Without hydrofoil: 150 x 150 x 40 mm (5.9 x 5.9 x 1.5 in) 58 gr/2.0 oz.
Box content	Box Content	Box Content	Box Content	Box Content
1 Jumping Night Drone 2 spare rubber feet 1 battery 1 USB/Micro USB cable 1 set of stickers 1 quick start guide	1 Jumping Race Drone 2 spare rubber feet 1 battery 1 USB/Micro USB cable 1 set of stickers 1 quick start guide	1 Airborne Night Drone 1 hull 1 battery 1 USB/Micro USB cable 1 set of stickers 1 quick start guide	1 Airborne Cargo Drone 1 hull 1 battery 1 USB/Micro USB cable 1 set of stickers 1 quick start guide	1 Hydrofoil Drone 1 hydrofoil structure 1 battery 1 USB/Micro USB cable 1 set of stickers 1 quick start guide

#### **June, 15, 2015: Parrot further expands its civil drone business**

- Over 1.5 million retail drones<sup>9</sup> sold worldwide
- Airinov and EOS innovation will be joining the Parrot Group

Since the AR.Drone in 2010, the recreational drones developed by Parrot have continued to open up new possibilities and enjoy great success with consumers.

A true pioneer on this market, Parrot has always sought to design lightweight drones (under 500 gr) that are easy to pilot with a smartphone or tablet, are packed with technology, offer integrated sensors initially used on larger drones, and are affordable.

With the AR.Drone10, which is still one of the brand's bestsellers, as well as the Minidrones, the new generation of connected toy robots released in 2014, and the all-new Bebop drone with digitally stabilized 3-axis full HD camera, Parrot has sold over 1.5 million drones worldwide.

For the past three years, Parrot has been moving forward with its external growth policy, acquiring interests in firms on the commercial civil drone market. Its acquisitions include senseFly, a Swiss company that designs ultralight, autonomous flying wings for mapping.

<sup>9</sup> AR.Drone, AR.Drone 2.0, Bebop, Minidrones

<sup>10</sup> AR.Drone and AR.Drone 2.0

Parrot is continuing to roll out its strategy to identify outstanding opportunities in the Commercial Drone sector and is building up a range of advanced expertise, focused on meeting the needs of its three priority markets (precision farming, 3D mapping and surveillance).

This year, two innovative firms are joining the Parrot Group.

### **Airinov: precision farming drone pioneer and market leader**

After acquiring an initial 21.1% stake at the end of 2013, the Parrot Group is ramping up its interest in Airinov to 53.1%<sup>11</sup>, reflecting the relevance of this cooperation.

Airinov, founded in 2010 by two engineers and a farmer's son, has rapidly developed its business with dedicated drones for precision farming, one of the three target markets for Parrot's Commercial Drone branch. The company has developed a sensor and a set of data processing algorithms enabling it to obtain groundbreaking agronomic indicators providing farmers with valuable data on their crops' needs and health, enabling them to improve their harvests' quality and yields. Since it launched, Airinov has met the needs of over 5,000 farmers.

Since 2014, the Airinov sensor has been incorporated into the eBee drone from senseFly, Parrot's other Commercial Drone subsidiary. Airinov has also built up a growing network of operators ("agri-droners") who, equipped with an eBee AG able to cover 3 ha per minute of flight time, are able to benefit upstream from Airinov's expertise to easily complete the preliminary steps before making flights over farms (2,000 flights registered with the French civil aviation authority (DGAC) in December 2014) and downstream from its proprietary SaaS platform for analyzing the data collected. The Airinov sensor is also being integrated into all types of drones and in particular the company is looking to develop its expertise in terms of services for farmers and processing the data collected.

The "agridrone" makes it possible to observe a range of agronomic indicators for plots to the nearest centimeter without having to take destructive samples. The sensor records the light reflected by the plant cover in four different bands, defined with the EMMAH joint research unit, part of the Avignon branch of France's national institute for agricultural research (INRA), making it possible to access groundbreaking agronomic data on wheat, barley, rapeseed and corn, such as biomass, leaf-area index (LAI) or chlorophyll rates (CAB). The data analysis makes it possible to accurately evaluate the levels of fertilization, flowering, humidity, weather damage, etc. The data sent to the farmers enables them to automatically and accurately adjust their fertilizer requirements in their fields during the different growth phases for their crops.

Airinov generated 1.4 million euros of revenues in 2014, completing flights over more than 20,000 hectares during the 2013-2014 season. Following the operation, Parrot will have a 53.13% stake in Airinov, investing 6.1 million euros as part of a capital increase to finance its development and 1.4 million euros to buy out its historical minority shareholders. The management team and founders will hold the remaining 46.87%. The agreement is combined with reciprocal put and call options that may be exercised in 2019 based on the revenues and earnings achieved by Airinov in 2017 and 2018. The company is based in Paris and also has a test farm in southwest France, where its future projects are assessed. The company is targeting strong international development, thanks to these additional funds.

### **EOS Innovation: mobile surveillance robotics**

After acquiring an initial 33.4% stake at the end of 2013, Parrot plans to increase its interest by investing in a 2 million euro convertible bond issue. Parrot is also acquiring for an additional 290,000 all the shares held by Scientipôle, an investment fund financing innovative start-ups in the Paris area. Once the bonds have been converted into EOS Innovation shares in 2019, Parrot will hold 68% of EOS Innovation's capital<sup>12</sup>. The agreement is combined with reciprocal put and call options that may be exercised in 2019 based on the revenues and earnings achieved by EOS Innovation in 2018.

Founded in 2010, EOS Innovation has developed "e-vigilante", a mobile surveillance robot designed to carry out automated patrol rounds in warehouses and sensitive sites with a view to reducing security costs and risks, while optimizing surveillance.

e-vigilante moves about and positions itself within its environment independently.

Thanks to its multiple on-board sensors (day/night camera, thermal camera, long-range detection sensor, LiDAR), e-vigilante constantly analyzes its environment to provide instant reports on any incidents encountered, such as intrusions, hot spot detection or displaced objects.

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<sup>11</sup> LOI signed on May 29, 2015 with a view to finalizing the operation by July 31, 2015.

<sup>12</sup> LOI signed on May 19, 2015 with a view to finalizing the operation by July 31, 2015.



The remote operator can dispel any doubts remotely, activate the alarm, communicate with the person on site, follow up on incidents and check the site's critical points.

It was released in 2014, aimed in particular at major logistics and distribution firms.

EOS Innovation's new resources will be focusing in priority on e-vigilante's international distribution. The Parrot Group and EOS Innovation will also be working together to develop complete, ultra-modern surveillance solutions.

September 4, 2015

## Parrot Zik 3, Everything a headset should offer



“Zik is the revolution.  
Zik 3 is the evolution.  
Evolution is a permanent revolution.”  
Philippe Starck  
Simply beautiful,  
Completely wireless,  
Hyper intuitive,  
Highly technical,  
Compatible with all modern devices including smart watches\*...

**Zik 3** is the newest generation of Parrot's wireless music and telephone headset, designed by Starck.

\* Zik 3.0 works with all smartphones, tablets, Apple Watch and Android Wear

**In a class of its own, Zik reinvents itself with new colors, improved design, wireless charging, high fidelity sound quality with a USB, and smart noise cancelling.**

Simply beautiful

Fashionable, maybe more feminine, the Zik 3 reflect a couture spirit in shiny croc texture, leather-grain or overstitched details in trendy colors.

- Croc texture, with a touch of lavishness, in black, brown, emerald green or red
- Overstitched details, an assertive style in black or ivory
- Leather-grain, a classic, available exclusively in black

The design of the headphone has been modified to incorporate an enlarged headband for more comfort.

### Completely wireless and hyper-intuitive

- **Wireless charging:** Parrot Zik 3 comes with its own wireless charger and is compatible with wireless Qi chargers. Charging time is 2 hours for 18 hour autonomy.
- **Bluetooth & NFC connections:** Parrot Zik 3 is compatible with all mobile phones available on the market and accepts a variety of music sources (audio via Bluetooth and through a three-point mini jack cable for the connection to all audio and video systems, like those available in planes.) Parrot Zik 3 also features integrated NFC technology for easy pairing.
- **A capacitive command panel:** Located on the entire surface of the right earpiece, a tactile panel accesses the Parrot Zik 3's basic functions in a very intuitive manner. A vertical movement of the finger adjusts the volume, a horizontal swipe changes tracks and a tap pauses the music.



- Head detection: The Parrot Zik 3 detects when you remove the headset and automatically pauses the music. Putting the headphones back on your head prompts the music to resume playing.

### **Highly technical for a quality audio without compromise**

- Automatic, adaptive, active noise control

The Parrot Zik 3 benefits from powerful adaptive noise control. The headset's microphones capture surrounding noise and an algorithm combines these signals to generate opposing acoustic waves, creating noise reduction up to 30 decibels.

The ANC can be managed manually with the headset's dedicated App or left to automatically adapt to surrounding noise.

- Street Mode

A patented algorithm compensates for the isolation from the earpiece by re-injecting part of the surrounding noise. This algorithm also removes the occlusion effect commonly experienced with closed headphones. During a phone conversation, for example, this mode enables a natural perception of your own voice, offering optimized listening comfort and eliminating sensations of isolation.

- High Fidelity quality

**When connected through USB, audiophiles experience music in Hi-Fi quality while recharging the headset.**

- HD telephone

Whether you are on a noisy street, in a windy place or on public transportation, phone conversations are crystal clear thanks to powerful algorithms isolating your voice from surrounding noises.

Compatible with 'Voice HD' technology, the Parrot Zik 3 offers a natural voice quality during calls, as if the person on the other line was seated next to you.

### **A dedicated application compatible with 'modern' devices'**

The dedicated 'Parrot Zik' App for smartphones and tablets is now compatible with Apple Watch and Android Wear!

It enables you to 'tune' your headphones to your musical tastes and to listen to music tuned by artists.

- Parrot Concert Hall: Recreates the acoustics of a living room, a concert hall or a jazz club.
- Equalizer: Enables to adjust the sound of Parrot Zik 3 in a fast and intuitive way.
- Producer Mode: Tune your headphones like professionals do in studio thanks to a high-performance five-band, full-parametric equalizer combined with a proprietary spatialization effect.
- Tuned By: Access audio presets created by artists and listen to their music the way they want it to sound on the Parrot Zik. You can also download presets created and shared by other Parrot Zik users.

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The Parrot Zik 3 works with a rechargeable Li-Ion battery.

The headphones come with:

1 Li-Ion battery (830mAh)	1 USB/micro USB cable
1 three-point mini jack 3 cable	1 protective pouch
1 quick start guide	1 wireless charger

- Availability date: End of 2015

**October, 2, 2015**

## **Drone developments ramping up**

### **Distribution agreements with Target and AT&T in the United States**

Building on the success of its Retail Drones, with the widest range of products on the market, Parrot has signed distribution agreements with major retailers as preparations get underway for the end-of-year holiday season.

Target, a leading general merchandise retailer in the US (1,790 stores, \$72 billion in sales for 2014), is a very popular, iconic brand. The latest generation of Parrot MiniDrones (four products), the Parrot Jumping Sumo, the Parrot Rolling Spider and the Parrot Bebop Drone will be released in the coming weeks at all Target stores and on its e-commerce site. The sales generated through Target will help drive growth in the Group's revenues as from the third quarter (period from July 1 to September 30, 2015).

AT&T is a leading telecommunications group (fixed, mobile, internet, TV) in the US, serving over 120 million customers, with an extensive network of retail stores. Within the next few weeks, 1,200 AT&T stores will start distributing Parrot's MiniDrones.

These developments will be accompanied by new marketing tools for showcasing Parrot Drones in-store, as well as training programs for sales associates on the ground. The Group has also ramped up its US customer service resources and called on the expertise of an external partner, with nearly 50 operators trained up to meet end customers' needs.

Already present in the US through top-tier retailers - physical and online – such as Amazon, Apple, Best Buy, Brookstone, Fred Meyer and Horizon Hobby, as well as through its own e-commerce site, Parrot has laid the foundations for a major end-of-year holiday season.

### **MicaSense and Iconem join the Parrot Group**

In addition to ramping up its Retail Drone business, Parrot launched an external growth policy in 2012 to acquire ownership interests in leading-edge companies on the Commercial Drone market.

Parrot is moving forward with its strategy to identify outstanding small firms and achieve verticalization in the Commercial Drone sector, assembling together and contributing to the development of leading firms in their fields, focused on meeting the needs of its three priority markets: precision farming, 3D mapping and inspection.

#### **MICASENSE : *Advanced scientific imaging for agriculture***

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

To provide fast and accurate crop health information, MicaSense also offers ATLAS, a powerful cloud service for the storage, processing, analysis and presentation of multispectral data. These cutting-edge proprietary analytics tools make it possible, in particular, to provide time-based trends and change maps for crops (water, soil, fertilizer and pests), thereby optimizing their management.

After acquiring an initial 35% ownership interest in September 2014 and thanks to the relevance of this alliance, the Parrot Group is ramping up its position, up to 51% of MicaSense's capital representing an additional investment of \$7.4 million. The agreement provides for reciprocal put and call options that may be exercised in 2019 based on MicaSense's revenues and results for 2018. The closing is expected to be completed this autumn.

The acquisition of MicaSense is further strengthening the expert capabilities in place within the Group, and particularly Airinov (June 2015), with an outstanding range of precision farming drones deployed, combining various sensors adapted for different crop types, as well as advanced software solutions and complementary development models.

#### **ICONEM : Digital memory of archaeological sites**

Founded in 2013 by an architect who was specialized in researching archaeological sites and a helicopter pilot who was a keen drone enthusiast, Iconem is specialized in the digital conservation of archaeological sites. The images and data captured using Commercial Drones (GPS coordinates, area, volume, height, etc.) are processed using algorithms developed in partnership with the digital sciences research institute (Inria Rochencourt) and make it possible to generate very accurate 3D models (1 pixel/cm).

These advanced technological capabilities make it possible to take measurements for normally inaccessible areas, in addition to creating exact digital replicas of sites and monitoring their changes over time. Iconem, which benefits from support from Inria, Microsoft France and the common research institute Inria-Microsoft Research, is rolling out its solutions with UNESCO, the World Bank and National Geographic.

Parrot is subscribing for a €1.35 million capital increase, giving it a 45% ownership interest in Iconem. These resources will make it possible to develop the organization, create a collaborative platform and fund the digitalization of key archaeological sites. An industrial and commercial partnership will also aim to develop collaboration with the Parrot Group and particularly its specialized 3D mapping and Commercial Drone companies.

### **Hive-down of Parrot Drone and increase of financing possibilities**

Parrot has continued moving forward with the project to hive-down its Drone business (consumer and professional), as announced at the end of July 2015, to create a pure player for drones. This hive-down is being proposed to the shareholders at the extraordinary general meeting convened for November 6, 2015 and will be completed pursuant to the spin-offs legal regime. The Connected Devices division, which consists mainly of the long-term research lab of the Group, will also be included in Parrot Drone.

On this occasion, the Group will also invite its shareholders to renew, for 26 months, the financial authorizations granted at the annual general meeting on June 11, 2014 allowing the Board of Directors to issue securities, and in particular to increase the maximum limit for the authorization to issue (with preferential subscription rights maintained) securities giving access to the share capital of Parrot up to 25 million shares.

In a sector that is growing very quickly, with the Group now established as a global market leader for both consumer and Commercial Drones, these financial authorizations will give Parrot the necessary financial flexibility, which it could use at the right time, to further accelerate its development and take advantage of market opportunities in the context of a responsive competitive environment. Parrot would like its shareholders to support its ambition to lead the global development of civil drones.

Henri Seydoux, Parrot's main shareholder through his holding company Horizon, has informed Parrot's Board of Directors that Horizon/he has put in place financial resources to participate to the strengthening of Parrot's equity structure. Alongside this, Parrot will seek to involve the management team with a view to attracting new talents within the Group as well.

**October 23, 2015**

### **'Flight Plan' for Bebop Drone: Create your own flight plans like a pro!**

Parrot introduces the Bebop Drone Flight Plan to allow pilots to create an easy and autonomous flight: Flight Plan.



The pilot can plot the desired flight route on a map and precisely define all flight parameters such as: direction, altitude, speed, camera angle and video recording or pictures. Flight Plan offers an ideal piloting mode for filming in full HD.

### Flight Plan: Pre-flight preparation

After activating the Flight Plan feature from the Parrot FreeFlight 3 piloting app, a map showing the flight area is displayed on the user's smart device.

The pilot then selects a departure point by simply clicking on the map. From there, the user can easily click on other points on the map to create the drone's route. Between each point the pilot can change the direction, speed or altitude of the Bebop Drone.

Video makers will enjoy the 'Scenario mode,' which offers smart settings for all of the programmed flight sequences such as: filming, taking a picture, taking-off, landing, rotating the drone and tilting the camera. The user is able to add preset actions en-route by just dragging and dropping and can then adjust the parameters for each action during the flight sequence.



All flight plans can be saved and be reenacted to allow for easy and seamless footage, providing users with the option to capture a scene multiple times to get the perfect take.

NB. The in-app Flight Plan module uses the MAVlink open source communication to transmit the flight plan to the Parrot Bebop Drone.

### Flight Plan: Follow the Bebop progression

By pushing the "play" button, the Parrot Bebop Drone will automatically take off.

Thanks to its GNSS chipset, which associates the GPS and GLONASS data, the drone's location will be accurately pinpointed within +/- 6 feet, and can precisely follow the pre-set route and actions.

On the tablet or smartphone display, the pilot can follow the progression of the Bebop Drone step-by-step on a map and through the live-streaming video features. Even when the Flight Plan is activated, the pilot is able to manually control the drone at any time.

All videos and pictures are saved on the quadricopter's flash memory and can be downloaded and shared with the pilot community through the Drone Academy.

## 5.5. Regulations

The regulations for the production, sale and use of drones (retail 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, and particularly whether this is a model aircraft activity or a “specific” activity:

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

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

- o Thermal engine: total capacity of less than or equal to 250 cc;
- o Electrical engine: total capacity of less than or equal to 15 kW;
- o Turboprop engine: total capacity of less than or equal to 15 kW;
- o 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;
- o Hot air: total weight of gas in bottles on board of less than or equal to 5 kg;
- o All captive model aircraft (model aircraft connected to the ground or a mobile that cannot be raised or moved).

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

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

The Retail 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 air 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 Federal Aviation Administration (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 Retail 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.

# VI. Structure

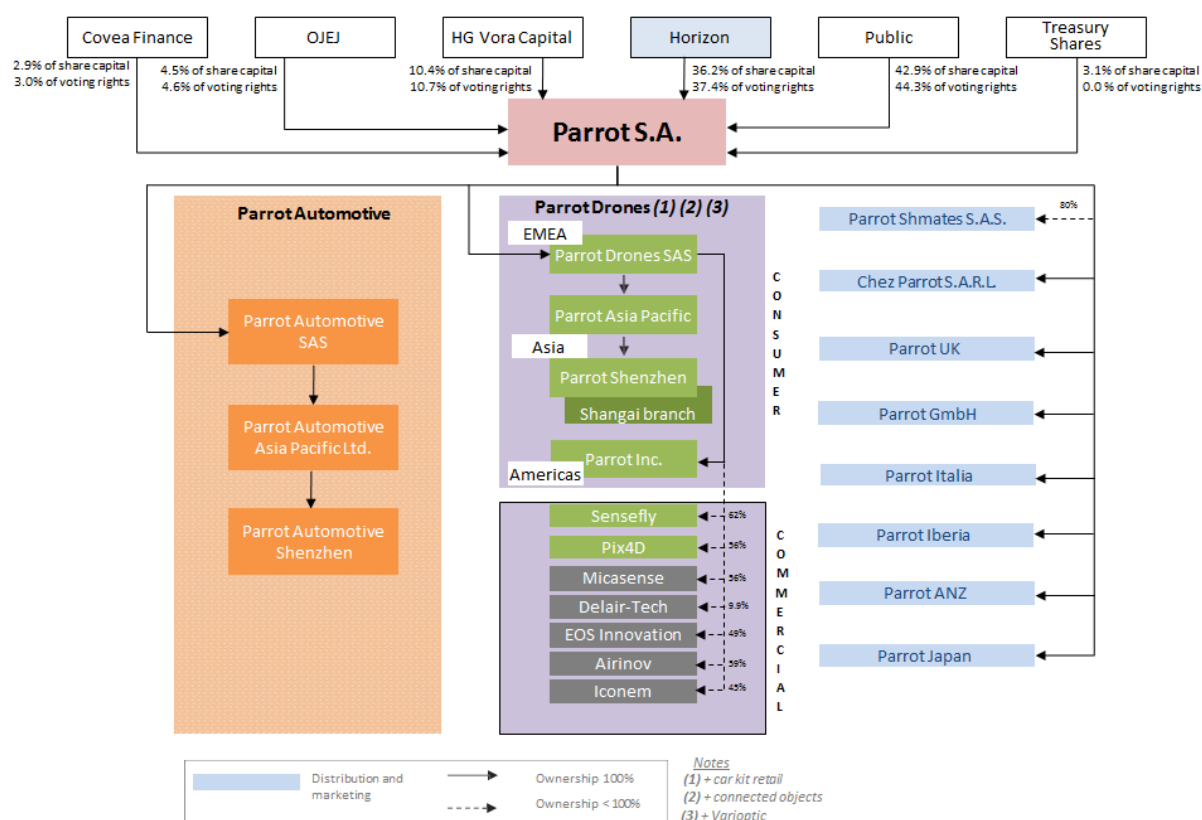
## 6.1. Group structure

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

The first hive-down transaction, with a partial transfer of assets by the Company from the “OEM Automotive” branch to Parrot Automotive SAS (fully-owned subsidiary of the Company), based on the legal framework for spin-offs, was approved by the Company's shareholders at the General meeting on June 30, 2015, as well as by the Company, as the sole partner in Parrot Automotive SAS, on June 30, 2015.

The Group has also performed the hive-down of its “Drones / Connected Devices” (retail and commercial) activities, as announced at the end of July 2015. This hive-down, based on a partial transfer of assets by the Company to Parrot Drones SAS (fully-owned subsidiary of the Company) under the legal system for spin-offs, was approved at the General shareholders' meeting on November 6, 2015. The operation for a partial transfer of assets from the “Drones / Connected Devices” branch is to be approved on November 30, 2015 by the Company, as the sole partner in Parrot Drones SAS.

### ■ Group structure <sup>(1) (2)</sup>



(1) The percentages of share capital and voting rights (exercisable at the General meetings) within the Company listed above are up to date as of November 6, 2015 (see Section 13.1 of this Update).

(2) The holding percentages of the Group subsidiaries and participations listed above are up to date as of the date of this Update.



As of September 30, 2015, the Company has prepared consolidated financial statements with the following companies on a full consolidation basis (with the exception of EOS Innovation, consolidated on an equity basis as of September 30, 2015). MicaSense Inc is not consolidated as of September 30, 2015, since the Group held a 35% interest in this subsidiary on this date.

<b>SUBSIDIARIES</b>	<b>COUNTRY</b>	<b>% interest held<sup>(1)</sup> directly and indirectly at September 30, 2015</b>
Parrot Asia Pacific	HONG KONG	100%
Parrot Shenzhen	CHINA	100%
Parrot, Inc	UNITED STATES	100%
senseFly <sup>2</sup>	SWITZERLAND	61.9%
Pix4D <sup>2</sup>	SWITZERLAND	55.7%
EOS Innovation <sup>2</sup>	FRANCE	49.05%
Airinov <sup>2</sup>	FRANCE	59.03%
Parrot Automotive S.A.S	FRANCE	100%
Parrot Automotive Asia Pacific Ltd.	HONG KONG	100%
Parrot Automotive Shenzhen	CHINA	100%
Parrot Shmates S.A.S.	FRANCE	80%
Chez Parrot S.A.R.L.	FRANCE	100%
Parrot UK	UNITED KINGDOM	100%
Parrot GmbH	GERMANY	100%
Parrot Italia	ITALY	100%
Parrot Iberia	SPAIN	100%
Parrot ANZ	AUSTRALIA	100%
Parrot Japan	JAPAN	100%

<sup>(1)</sup> Percentage of capital held on a non-diluted basis

<sup>(2)</sup> Refer to Section 5.1.1.2 of this Update for a description of the conditions for the Group's acquisition of an interest in the subsidiary concerned

As of September 30, 2015:

- Parrot Drone S.A.S. was not consolidated in the Group's accounts, because it was not trading on this date;
- MicaSense, Inc. was not consolidated in the Group's accounts, because the Group's interest on this date was 35%.

As indicated on the organization chart above, the Group holds minority interests in Iconem and Delair-Tech. Readers are invited to refer to Section 5.1.1.2 of this Update for a description of the conditions for the acquisitions of these minority interests.

## VII. Review of the financial position and income

### 7.1. Overview

Founded in 1994 by Henri Seydoux, Parrot is a French high tech company, with a wide international reach, structured around a strong R&D and a fabless model. As of September 30, 2015, the Group had 924 employees, among which 470 were working in R&D.

As a pioneer in the identification of future technologies, the Group first grew in hands-free communication systems and Infotainment solutions for the automotive industry, developing both consumer and original equipment manufacturer (OEM) offers. Following the Company's IPO completed 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, the Group has been highly successful in Retail Drones with recreational mini-drones and quadricopters.

With this success in the Retail Drone market, the Group is also expanding on the Commercial Drone market through a set of cutting edge solutions combining drones, payloads, software and services primarily focused on 3D mapping, precision farming and inspection. The Group also leverages its technological expertise through its Innovation Lab, which is part of its Connected Devices business segment.

For the nine months ended September 30, 2014 and 2015, the Company had revenues of €163.5 million and €218.1 million and net income of €-5.8 million and €-3.0 million, respectively.

### 7.2. Segment Reporting

Having identified early on the constraints related to the use of mobile phones by car drivers, the Group strove to develop for them a full range of hands-free solutions sold under the Parrot brand, mainly in Europe where legislation aiming at ruling the use of a mobile phone while driving appeared in the late 1990s. The Group then targeted automotive OEMs with an offering that integrated its hands-free solutions, resulting in strong growth in this segment from 2008 to 2012. Growth in hands-free 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, the Group launched its first mass-market consumer drone in 2010, the Parrot AR.Drone, a quadricopter piloted through a smartphone app. The immediate success of this drone encouraged the Group to seek new drone products, in both in Retail and Commercial markets, while structuring its growing Drone business unit.

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

- the **Drone** business includes (i) revenues from sales of Retail 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 revenues from software licensed for use in drones (Pix4D);
- the **Automotive** business includes (i) revenues from installed hands-free 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** business 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"** business includes revenues generated by Varioptic's sales, which is specialized in optic.

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

(in € million and in % of Group revenues)	Nine months ended September 30,			
	2014		2015	
<b>Drones</b>	<b>45.8</b>	<b>28.0%</b>	<b>109.4</b>	<b>50.2%</b>
Retail	36.7	22.4%	90.1	41.3%
Commercial	9.2	5.6%	19.3	8.9%
<b>Automotive</b>	<b>108.2</b>	<b>66.2%</b>	<b>96.3</b>	<b>44.2%</b>
Retail*	38.3	23.4%	43.3	19.9%
Key Accounts	70.0	42.8%	53.0	24.3%
<b>Connected Devices*</b>	<b>8.1</b>	<b>5.0%</b>	<b>10.9</b>	<b>5.0%</b>
Audio	7.1	4.3%	9.9	4.5%
Other Connected Devices	1.0	0.6%	1.1	0.5%
<b>Other</b>	<b>1.4</b>	<b>0.8%</b>	<b>1.4</b>	<b>0.7%</b>
<b>Group Total</b>	<b>163.5</b>	<b>100.0%</b>	<b>218.1</b>	<b>100.0%</b>

\* Plus & Play revenues, included in the Connected Devices segment until December 31, 2014, were reclassified in the Retail Automotive segment as from January 1, 2015. The 2014 data are presented after the reclassification of the Plug & Play revenues in the Retail Automotive segment.

Since 2012, the Group's product mix has significantly changed with a constantly increasing proportion of the Drone segment in the Group's revenues, while the Automotive segment significantly decreased. The first nine months of 2015 show a continuation of this trend. For the nine months ended September 30, 2015, the Drone revenues amounted to €109.4 million (i.e. 50.2% of the Group's total revenues) compared to €45.8 million (i.e. 28.0% of the Group's total revenues) for the nine months ended September 30, 2014. Correlatively, for the nine months ended September 30, 2015, the Automotive revenues amounted to €96.3 million (i.e. 44.2% of the Group's total revenues) compared to €108.2 million (i.e. 66.2% of the Group's total revenues) for the nine months ended September 30, 2014. Nevertheless, the Drones business only recently reached the breakeven point with the Retail Drones business still registering losses due to investments in marketing and R&D.

### 7.3. Results of Operations

(in € million)	Nine months ended September 30,	
	2014	2015
<b>Revenues</b>	<b>163.5</b>	<b>218.1</b>
Cost of sales	-77.7	-115.9
<b>GROSS MARGIN</b>	<b>85.8</b>	<b>102.2</b>
Gross margin in % of revenues	52.5%	46.9%
Research and development costs	-37.4	-43.8
<i>in % of revenues</i>	22.9%	20.1%
Sales and marketing costs	-30.4	-36.7
<i>in % of revenues</i>	18.6%	16.8%
General costs	-11.2	-14.5
<i>in % of revenues</i>	6.8%	6.6%
Production / Quality	-10.2	-11.4
<i>in % of revenues</i>	6.2%	5.2%
<b>CURRENT INCOME FROM OPERATIONS</b>	<b>-3.3</b>	<b>-3.7</b>
Current income from operations in % of revenues	-2.0%	-1.7%
Non-current operating income	-	-0.7
Non-current operating expenses	-0.8	-
<b>INCOME FROM OPERATIONS</b>	<b>-4.1</b>	<b>-3.0</b>
Income from operations in % of revenues	-2.5%	-1.4%
Income from cash and cash equivalents	1.0	0.4
Cost of gross financial debt	-0.3	-0.5
Cost of net financial debt	0.7	-
Other financial income and expenses	0.6	0.3
<b>FINANCIAL INCOME</b>	<b>1.2</b>	<b>0.2</b>

Share in income from equity affiliates	-	-0.1
Tax	-2.9	-
<b>NET INCOME FOR THE PERIOD</b>	<b>-5.8</b>	<b>-3.0</b>
<b>Net income (Group share)</b>	<b>-5.5</b>	<b>-4.0</b>
Non-controlling interests	-0.3	1.0
<i>Net income for the period – Group share in % of revenues</i>	<i>-3.4%</i>	<i>1.8%</i>

#### **7.4. Comparison of the income for 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 offsets 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.

- Retail Drone revenues increased by 145.5% to €90.1 million 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 Drone revenues increased by 109.8% to €19.3 million 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 Retail 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 decline in revenue in Key Account solutions of 24% while the nine Infotainment contracts have not yet reached mass-production phase. However, sales of Infotainment solutions benefit from the starting of a fourth contract announced in Q3 2015, whereby the Group provides its automotive digital TV platform for Jeep marketed in Japan. Moreover, the decline in Key Account solutions is 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 the ban on the use of hands-free 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 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 the nine months ended September 30, 2014 due primarily to an increase in 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 U.S. 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 U.S. dollar and a slight decrease in the margin for plug-and-play devices in the Automotive segment. The Group's Drones segment benefited from the highest gross margin.

##### ***Current operating expenses***

Current operating expenses increased by 19.3%, from €89.2 million in the nine months ended September 30, 2014 to €106.4 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 Commercial Drone products and the amortization of capitalized automotive research and development 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 repositioning of engineers to drone development programs that were previously assigned to automotive R&D programs following the completion of our 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 €36.7 million compared to €30.4 million for the nine months ended September 30, 2014. The increase in sales and marketing costs also reflects the ramping up of Retail 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 29.5% to €14.5 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 Commercial Drone business with new drones launches.

#### ***Current income from operations***

As a result, 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.

#### ***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 US tax loss carryforwards.

### **7.5. 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 (€1.2 million) and long term (€11.9 million) borrowings 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.

#### ***Cash flows***

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

(in € million)	Nine months ended September 30,	
	2014	2015
<b>Operating cash flow</b>		
Earnings for the period	-5.8	-2.9
Share in income from equity affiliates	0	0.1
Depreciation and amortization	10.1	12.1
Capital gains and losses on disposals	—	—
Fair value remeasurement of interest previously held on equity basis	-0.7	-3.2
Tax charges	2.9	0.1
Cost of share-based payments <sup>(2)</sup>	2.0	2.6
Cost of net financial debt	-0.7	0.1
<b>Cash flow from operations before tax and cost of net financial debt</b>	<b>7.9</b>	<b>8.8</b>
Working capital	-6.9	-24.4
Tax due	-0.5	-3.0
<b>NET CASH FROM OPERATING ACTIVITIES (A)</b>	<b>0.5</b>	<b>-18.6</b>
<b>Investing cash flow</b>		
Acquisition of tangible and intangible assets	-12.5	-10
Acquisition of subsidiaries, net of cash acquired	0.2	-1.6
Acquisition of long-term financial investments	-2.7	-3.9
Increase in other current financial assets	—	—
Disposal of tangible and intangible assets	—	—
Disposal of long-term financial investments	0.1	0.1
<b>CASH FROM INVESTMENT ACTIVITIES (B)</b>	<b>-14.9</b>	<b>-15.5</b>
<b>Financing cash flow</b>		
Equity contributions <sup>(1)</sup>	0.5	1.9
Dividends paid	—	—
Receipts linked to new loans	—	11.4
Other financing	—	—
Cash invested for over 3 months	16.9	6.4
Cost of net financial debt	0.7	-0.1
Repayment of short-term financial debt (net)	-5.1	-10.7
Repayment of other debt	—	—
Acquisition of treasury stock	-0.2	-2.9
<b>CASH FROM FINANCING ACTIVITIES (C)</b>	<b>12.8</b>	<b>6.0</b>
<b>NET CHANGE IN CASH POSITION (D = A+B+C)</b>	<b>-1.5</b>	<b>-28.0</b>
Net exchange rate differences	2.9	2.6
<b>CASH AND CASH EQUIVALENTS AT YEAR-START</b>	<b>54.3</b>	<b>70.3</b>
<b>CASH AND CASH EQUIVALENTS AT YEAR-END</b>	<b>55.7</b>	<b>45.0</b>

(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 nine months ended September 30, 2014 and 2015.

#### *Net cash from (used in) operations*

For the nine months ended September 30, 2015, net cash used in operations amounted to -€18.6 million, compared net cash from operations of €0.5 million for the nine months ended September 30, 2014. This decrease primarily resulted from change 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.

#### *Net cash from (used in) investment activities*

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 the acquisition of 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). Investments over the nine-month period were covered by cash flow from operating activities.

### *Net cash from financing activities*

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 €3.0 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.

### **Borrowings**

#### *Short term facilities*

The Group benefits from authorized overdraft lines and an import documentary letter of credit granted by 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 these overdraft authorizations. As of September 30, 2015, no amount had been drawn down from these financing lines.

### **Credit agreement**

The Company entered into a new syndicated credit agreement on July 24, 2015 for a total amount of €50 million, which may be used by a drawing, 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 had drawn down €11.2 million on this credit line. Under the credit agreement, the following covenants must be complied with:

- 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 as of December 31, 2015 above €12 million.

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 June 2022. The Company has applied hedge accounting as of September 30, 2015, with respect to this instrument.

### **7.6. Capital Expenditures**

The Group's capital expenditures primarily relate to capitalized R&D, business acquisitions and purchases of equipment. The Group does not currently have any material capital expenditure commitment. Please refer to Section 4.2 of this Update for a description of the Group's investments.

### **7.7. 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. Please refer to Section 3.3.5 of this Update for a description of the Group's main off-balance sheet arrangements as of September 30, 2015.

## VIII. Research and development

### 8.1. R&D organization and strategy

The Group's research and development activities are a key element, particularly for its competitive edge, flexibility, cost savings and technological independence.

#### 8.1.1. Innovation strategy and process

With a team of more than 500 engineers educated in the most prestigious French and foreign schools (École Supérieure d'Électricité, École Nationale Supérieure des Télécommunications, École Centrale des Arts et Manufactures, École Polytechnique, Georgia Tech, Stanford University, etc.), the Group has vertical expertise across all the technologies required for developing its products.

#### 8.1.2. R&D organization

R&D is organized around each business segment:

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

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

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

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

At September 30 (9 months)	2014	2015
Group consolidated revenues (€M)	163.5	218.1
% 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%

Specific information concerning the Group's technologies is presented in the Reference Document.

### 8.2. Intellectual and industrial property

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

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

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

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

The majority of Parrot's product names across its three business lines (drones, automotive, connected devices) are covered by registered marks (word and/or figurative marks in the countries concerned).



As a member of the *Bluetooth* SIG, the Group benefits from a license to use the “*Bluetooth*” mark, notably enabling it to display it on its products which are compliant with the *Bluetooth* standard and validated in accordance with the process established by the *Bluetooth* SIG. The Group is also a member of the Wi-Fi Alliance and, in this respect, benefits from a license to use the Wi-Fi mark, in addition to many other licenses for using marks belonging to its technical and/or commercial partners.

#### **8.2.1. Patents**

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

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

In 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<sup>st</sup> 2015 and the date of this Update, the Group filed 15 new patents and about 10 additional patents are in progress, mainly in the drone area.

#### **8.2.2. Designs and models**

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

Between January 1<sup>st</sup> 2015 and the date of the present this Update, 21 brands and 62 models were registered by the Group worldwide, compared to 75 brands in 42 models in 2014.

## IX. Information on trends

### **9.1. Main trends with an impact on production, sales and inventories, sales prices and costs from the end of the last financial year through to the date of this Update**

NA.

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

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

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

In 2015, the Group has reorganized its activities in line with this strategy, with the hive-down of its Automotive branch within its subsidiary Parrot Automotive and the hive-down of its Drones / Connected Devices branch within its subsidiary Parrot Drones (also refer to Chapter VI of this Update).

For the past two years, the Group has set itself a financial target to continue breaking even with its operations.

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

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

This strategy, presented in Section 5.3 of this Update, is reflected in the following developments:

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

This strategy is being rolled out with a focus on investment to drive growth in the Group's business and consolidate its position as a major player for civil drones, aiming within three years to further strengthen the Group's structure, continue increasing the percentage of Group revenues generated by Drone activities, and reestablish an operating margin in line with the Group's development model, combining sustainable growth and profitability.

# X. Forecast

## 10.1. Full-year forecasts for 2015

### 10.1.1. Assumptions

The following forecasts have been prepared based on consistent accounting methods with those applied by the Group to prepare its historical information, and with a basis for consolidation that remains unchanged compared with September 30, 2015 (excluding the impact of the acquisition of a majority interest in MicaSense and a minority interest in Iconem).

These forecasts are based on the following key assumptions:

- Macroeconomic data
  - Stable global economic environment
  - Exchange rate: 1.12 US dollars for 1.00 euro and 1.09 Swiss francs for 1.00 euro
  - No major events that might disrupt sales for the end-of-year period in Europe, Asia and the US.
- Revenues
  - Continued launch of the new range of minidrones, launch of the Bebop 2 and Zik 3, and commercial success of these new products
  - Product listings with new retailers in the US (Target, AT&T)
  - Strong seasonality for the fourth quarter of the calendar year, particularly in connection with Black Friday and Christmas
- Gross margin
  - Change 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
- Operating costs
  - Further strengthening of the Group's research office
  - Marketing costs in line with the commercial ambitions for the end-of-year period
  - Overheads kept effectively under control
- Other operating income and expenses
  - No significant changes resulting from the occurrence of one or more of the risk factors described in Chapter III of this Update, and particularly no significant developments with the legal proceedings underway (see sections 3.4.1.1 and 14.4 of this Update).

### 10.1.2. Forecasts

While remaining cautious, particularly on account of the strong seasonality of its activities during the end-of-year holiday period, and based on the assumptions presented above, the Group has set the following 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 €M, and revenue growth of at least 33% for the whole year, with full-year revenues of at least 324 €M;
- Income from ordinary operations approximately breaking even.

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

**10.2. Statutory auditors' report on the profit forecasts for the year ending December 31, 2015**

<b>KPMG Audit IS</b>	<b>ERNST &amp; YOUNG et Autres</b>
Tour EQHO	1/2, place des Saisons
2, avenue Gambetta	92400 Courbevoie - Paris-La Défense 1, France
CS 60055	S.A.S. with variable capital
92066 Paris-La Défense Cedex, France	Statutory Auditor
S.A.S. with capital of €200,000	Member of the Compagnie Régionale de Versailles
Statutory Auditor	
Member of the Compagnie Régionale de Versailles	

To the Chairman and Chief Executive Officer,

In our capacity as statutory auditors, and in accordance with EC Regulation 809/2004, we have prepared this report on the forecasts for Parrot's income from ordinary operations included in Section 10.1 of the update to its reference document.

These forecasts and the main assumptions which they are based on have been prepared under your responsibility, in accordance with EC Regulation 809/2004 and the ESMA's recommendations for forecasts.

It is our responsibility, on the basis of our work, to express an opinion, in accordance with Annex I, point 13.2 of EC Regulation 809/2004, concerning the adequate nature of these forecasts.

We have performed the procedures that we have deemed necessary in view of the French national statutory auditors board (CNCC) professional standards relative to this mission. These standards require that we review the procedures put in place by the management team to prepare the forecasts, as well as the diligence procedures required to ensure that the accounting methods used are consistent with those applied for preparing Parrot's historical financial information. They also involved collecting the information and explanations that we considered necessary, making it possible to obtain reasonable assurances that the forecasts have been prepared fairly and accurately based on the assumptions set out.

We would like to remind you that, as forecasts are by their nature uncertain, actual results may sometimes be significantly different from the forecasts presented, and we are not issuing any opinion concerning the possibility of these forecasts being achieved.

In our opinion:

- The forecasts have been prepared fairly and accurately on the basis indicated;
- The accounting basis used for these forecasts is consistent with the accounting methods applied by Parrot.

This report has been issued for the sole purpose of filing the update to the reference document with the AMF and, if applicable, the admission for trading on a regulated market and/or a public offering of Parrot S.A. shares or debt securities with a unit nominal value of less than €100,000 in France and other European Union member states where the prospectus approved by the AMF is to be provided, and it may not be used for any other purpose.

Paris – La Défense, November 13, 2015

The Statutory Auditors

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

# XI. Administrative, management, supervisory and executive bodies

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## 11.1. Board of directors

### ■ Members of the Board of directors

- Mr Henri SEYDOUX, Chairman and Chief Executive Officer
- Mr Jean-Marie PAINVIN, Director
- Mr Edward PLANCHON, Director
- Mr Olivier LEGRAIN, Independent Director
- Mr Geoffroy ROUX DE BEZIEUX, Independent Director
- Mr Jean-Yves HELMER, Independent Director
- Mr Stéphane MARIE, Independent Director
- Mrs Natalie RASTOIN, Independent Director
- Mrs Marie EKELAND, Independent Director

The shareholder General meeting of June 30, 2015 have renewed the terms of Henri Seydoux, Jean-Marie Painvin and Stéphane Marie for a six-year period ending further to the General meeting convened in 2021 to approve the financial statements for the year ending December 31, 2020.

Mr Olivier Legrain, Mr Geoffroy Roux de Bézieux, Mr Stéphane Marie, Mr Jean-Yves Helmer and Mrs Natalie Rastoin and Mrs. Marie Eckeland are considered to be independent directors in view of the criteria defined by the MiddleNext governance code.

### 11.1.1. Additional information on the members of the Board of Directors

To the best of the Company's knowledge:

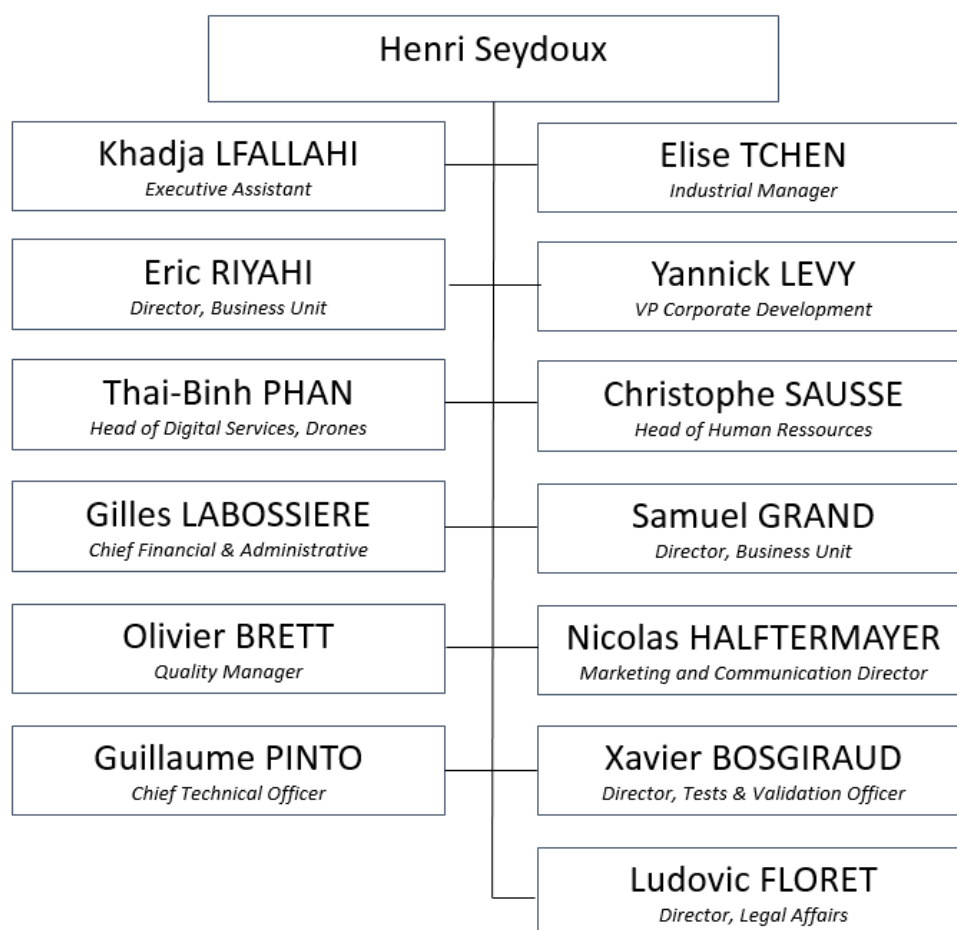
- there are no family ties between the Company's directors, with the exception of Mr Henri Seydoux and Mr Jean-Marie Painvin, who are related (brothers-in-law);
- none of the directors have been convicted of fraud over the past five years;
- none of the directors have been associated with a bankruptcy, sequestration or liquidation over the past five years;
- none of the directors have been incriminated or officially sanctioned by statutory or regulatory authorities (including designated professional bodies) over the past five years; and
- none of the directors have been prevented by a court from serving as a member of an issuer's administrative, management or supervisory body or from managing or conducting the business of an issuer over the past five years.

## XII. Human resources

### 12.1. Overview

#### 12.1.1. Group structure

On the date of this Update, the Group's departments were organized as follows:



### 12.1.2. Workforce

As of September 30, 2015, the Group had 924 employees (permanent contracts, fixed-term contracts, professional training contracts). The Group also had 74 external contractors and temporary staff. Indeed, to further strengthen its capacity for innovation and benefit from a certain flexibility, Parrot also calls on highly specialized providers for engineering services in the research and development sector.

### 12.2. Stock options and bonus shares for Group staff

#### ■ Status of stock options

Number of options	2013	2014	2015 9 months
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 were exercised in 2014, with a total of 120.111 at September 30, 2015.

#### □ Historical breakdown of stock options and bonus shares

Date of Board meeting and type of plan		Number of options in place at Dec 31, 14	Number awarded during period	Number exercised during period	Number cancelled or lapsed	Number of options in place at Sep 30, 2015
Feb 12, 09: stock options	4 years	-				-
Feb 12, 09: bonus shares	2 years	-				-
May 14, 09: stock options	4 years	-				-
Jul 30, 09: stock options	4 years	-				-
Nov 12, 09: stock options	4 years	-				-
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		0
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	-				0
Nov 10, 11: stock options	7 years	67 000			-1000	66 000
Feb 15, 12: stock options	7 years	203 750		-200	-8750	194 800
Feb 15, 12: bonus shares	2 years	-				0
May 12, 12: stock options	7 years	20 800			-1000	19 800
May 12, 12: bonus shares	2 years	-				0
Jul 28, 12: bonus shares	2 years	-				0
Nov 10, 12: stock options	7 years	21 600				21 600
Nov 10, 12: bonus shares	2 years	-				0
Feb 20, 13: stock options	7 years	10 500				10 500
Feb 20, 13: bonus shares	2 years	23 700		-21 500	-2 200	0
May 15, 13: stock options	7 years	24 000				24 000
May 15, 13: bonus shares	2 years	13 300		-10 800	-2 500	0
Aug 1, 13: bonus shares	3 years	2 500				2 500
Nov 15, 13: bonus shares	3 years	17500			-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 and bonus shares awarded

No stock options were awarded during the first nine months of the financial year 2015. 10.750 options were not awarded and therefore lapsed.

During the first nine months of the financial year 2015, 103.000 bonus shares were awarded. The top 10

Date awarded	Department	Position	Bonus shares awarded
March 1	Validation	Head of Validation	5 000
March 1	Marketing	Head of Marketing	5 000
March 1	Other	Head of Varioptic BU	5 000
March 1	Corporate	Head of Business Development	5 000
March 1	Procurement	Head of Procurement	5 000
March 1	Auto BU	Head of Operations	10 000
March 1	Financial Adm.	Head of Administration and Finance	10 000
March 1	Drones & Connected Devices	Head of Technical	10 000
March 1	Industrial	Head of Industrial	10 000
March 1	Drones & Connected Devices	Head of Technical	10 000

employee beneficiaries were as follows:

### 12.3. Mandatory profit-sharing agreements

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

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

On the date of the publication of this Update, the amount of the special profit-sharing reserve to be paid out represented nothing, as in 2014.



## XIII. Main shareholders

### 13.1. Shareholding structure

The following table presents the breakdown of the capital interests and voting rights of the Company's main shareholders as of November 6, 2015 (i) before the exercising of securities entitling holders to access the Company's capital (undiluted capital) and (ii) after the exercising of securities entitling holders to access the Company's capital (diluted capital).

The total number of Company shares that could be issued if all the securities entitling holders to access the Company's capital 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
<b>Total number of shares (A)</b>	<b>12,553,774</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>12,709,068</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>
<b>Founder (B)</b>								
Henri Seydoux (Horizon) <sup>(2)</sup>	4,546,204	36.21%	36.21%	37.35%	4,546,204	35.77%	35.77%	37.47%
<b>Founder subtotal</b>	<b>4,546,204</b>	<b>36.21%</b>	<b>36.21%</b>	<b>37.35%</b>	<b>4,546,204</b>	<b>35.77%</b>	<b>35.77%</b>	<b>37.47%</b>
<b>Board members (C)</b>								
Jean Marie Painvain	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 Ekland	27	0.00%	0.00%	0.00%	27	0.00%	0.00%	0.00%
<b>Board members subtotal</b>	<b>1,931</b>	<b>0.02%</b>	<b>0.02%</b>	<b>0.02%</b>	<b>1,931</b>	<b>0.02%</b>	<b>0.02%</b>	<b>0.02%</b>
<b>Other declared investors (D)</b>								
Covéa Finance <sup>(3)</sup>	365,107	2.91%	2.91%	3.00%	635,738	5.00%	5.00%	5.24%
OJEJ <sup>(4)</sup>	561,906	4.48%	4.48%	4.62%	561,906	4.42%	4.42%	4.63%
HG Vora Capital <sup>(5)</sup>	1,307,000	10.41%	10.41%	10.74%	-	-	-	-
<b>Declared investors subtotal</b>	<b>2,234,013</b>	<b>17.80%</b>	<b>17.80%</b>	<b>18.35%</b>	<b>1,197,644</b>	<b>9.42%</b>	<b>9.42%</b>	<b>9.87%</b>
<b>Parrot S.A. treasury shares (E)</b>	<b>382,342</b>	<b>3.05%</b>	<b>3.05%</b>	<b>0.00%</b>	<b>575,870</b>	<b>4.53%</b>	<b>4.53%</b>	<b>0.00%</b>
<b>Estimated public float (A-B-C-D-E)</b>	<b>5,389,284</b>	<b>42.93%</b>	<b>42.93%</b>	<b>44.28%</b>	<b>6,387,419</b>	<b>50.26%</b>	<b>50.26%</b>	<b>52.64%</b>

(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 30 June 2015, Covéa Finance declared a holding of 365,107 Parrot 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).

	Number of Company shares held at Dec. 31, 2013	% of capital	% of theoretical voting rights (1)	% of voting rights exercisable at a General meeting	Number of Company shares held at Dec. 31, 2012	% of capital	% of theoretical voting rights (1)	% of voting rights exercisable at a General meeting
<b>Total number of shares (A)</b>	<b>12,655,293</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>12,809,243</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>
<b>Founder (B)</b>								
Henri Seydoux (Horizon)	4,546,204	35.92%	35.92%	37.79%	4,546,204	35.49%	35.49%	37.28%
<b>Founder Subtotal</b>	<b>4,546,204</b>	<b>35.92%</b>	<b>35.92%</b>	<b>37.79%</b>	<b>4,546,204</b>	<b>35.49%</b>	<b>35.49%</b>	<b>37.28%</b>
<b>Board members (C)</b>								
Jean Marie Painvain	100	0.00%	0.00%	0.00%	100	0.00%	0.00%	0.00%
Edward Planchon	1	0.00%	0.00%	0.00%	5,183	0.04%	0.04%	0.04%
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	-	-	-	-	-	-	-	-
<b>Board members subtotal</b>	<b>1,904</b>	<b>0.02%</b>	<b>0.02%</b>	<b>0.02%</b>	<b>7,086</b>	<b>0.06%</b>	<b>0.06%</b>	<b>0.06%</b>
<b>Other declared investors (D)</b>								
Covéa Finance	914,305	7.22%	7.22%	7.60%	-	-	-	-
OJEJ	561,906	4.44%	4.44%	4.67%	-	-	-	-
Seventure Partner <sup>(2)</sup>	-	-	-	-	288,512	2.25%	2.25%	2.37%
<b>Other declared investors subtotal</b>	<b>1,476,211</b>	<b>11.66%</b>	<b>11.66%</b>	<b>12.27%</b>	<b>288,512</b>	<b>2.25%</b>	<b>2.25%</b>	<b>2.37%</b>
<b>Parrot S.A. treasury shares (E)</b>	<b>625,449</b>	<b>4.94%</b>	<b>4.94%</b>	<b>0.00%</b>	<b>614,941</b>	<b>4.80%</b>	<b>4.80%</b>	<b>0.00%</b>
<b>Estimated public float (A-B-C-D-E)</b>	<b>6,005,525</b>	<b>47.45%</b>	<b>47.45%</b>	<b>49.9%</b>	<b>7,352,500</b>	<b>57.40%</b>	<b>57.40%</b>	<b>60.3%</b>

(1) Percentage of voting rights calculated in accordance with the provisions of Article 223-11 of the AMF General Regulations.

(2) Shares held in various Funds.

### 13.2. Voting rights

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

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

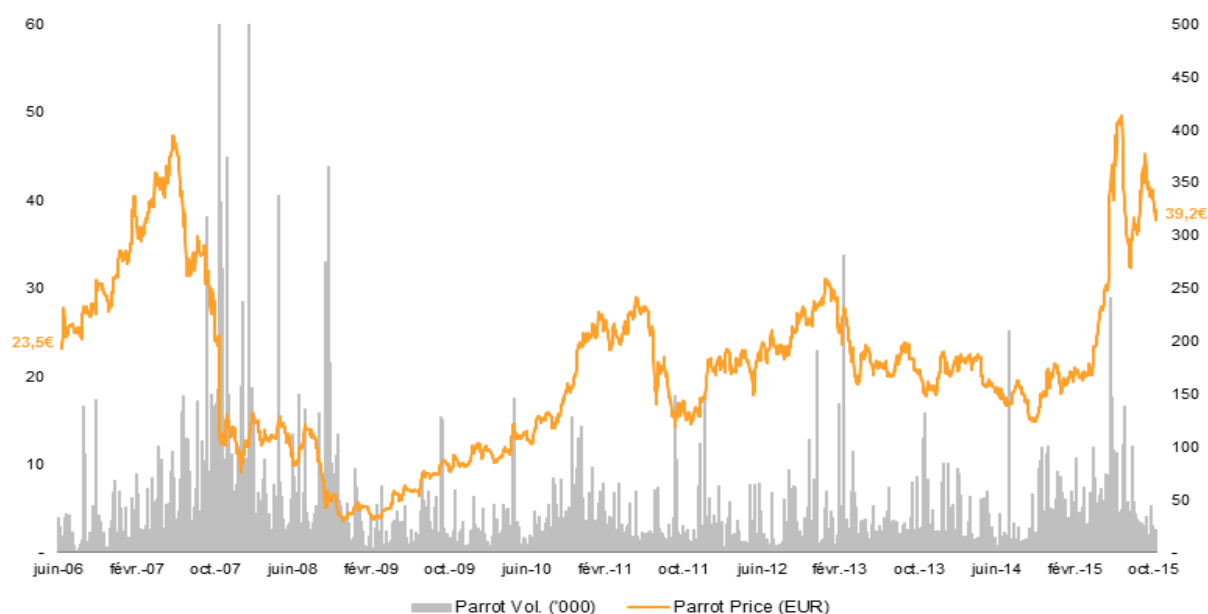
The General meeting therefore decided to amend Article 11 of the Company's bylaws "Rights and obligations associated with shares" concerning the voting rights associated with the Company's shares:

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

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

### 13.3. Change in Parrot's share price and volumes

#### ■ Change from the IPO (June 27, 2006) to November 13, 2015



<b>Closing price in euro</b>	<b>2013</b>	<b>2014</b>	<b>2015 (up to Nov. 13, 2015)</b>
<b>Volume in number of shares traded</b>			
Highest closing price	31.05	22.81	49.6
Highest daily volume	281,541	209,324	241,173
Lowest closing price	17.72	14.80	18.3
Lowest daily volume	1,829	1,383	4,468
Average closing price	22.69	19.28	31.0
Average volume	20,650	18,482	34.6

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

## 14.1. Group's condensed consolidated interim financial statements at September 30, 2015

### 14.1.1. Interim consolidated income statement

€K	Note	Sept. 30, 2015	Sept. 30, 2014
<b>Revenues</b>		<b>218,092</b>	<b>163,500</b>
Cost of sales		-115,852	-77,664
<b>GROSS MARGIN</b>		<b>102,240</b>	<b>85,836</b>
Gross margin in % of revenues		46.9%	52.5%
Research and development costs		-43,776	-37,436
<i>in % of revenues</i>		20.1%	22.9%
Sales and marketing costs		-36,476	-30,396
<i>in % of revenues</i>		16.7%	18.6%
General costs		-14,315	-11,183
<i>in % of revenues</i>		6.6%	6.8%
Production / Quality		-11,411	-10,168
<i>in % of revenues</i>		5.2%	6.2%
<b>CURRENT INCOME FROM OPERATIONS</b>		<b>-3,738</b>	<b>-3,347</b>
Current income from operations in % of revenues		-1.7%	-2.0%
Non-current operating income and expenses	5	745	-780
<b>INCOME FROM OPERATIONS</b>		<b>-2,993</b>	<b>-4,127</b>
Income from operations in % of revenues		-1.4%	-2.5%
Income from cash and cash equivalents	6	441	998
Cost of gross financial debt	6	-516	-338
Cost of net financial debt	6	-75	659
Other financial income and expenses	6	314	572
<b>FINANCIAL INCOME</b>		<b>239</b>	<b>1,232</b>
Share in income from equity affiliates		-131	-
Tax	7	-78	-2,905
<b>NET INCOME FOR THE PERIOD</b>		<b>-2,963</b>	<b>-5,800</b>
<b>Net income (Group share)</b>		<b>-3,947</b>	<b>-5,544</b>
<i>Net income for the period – Group share in % of revenues</i>		-1.8%	-3.4%
Non-controlling interests		985	-254

	Note	Sept. 30, 2015	Sept. 30, 2014
<b>Weighted average number of ordinary shares</b>		<b>12,553,774</b>	<b>12,717,963</b>
Basic net earnings per share (€)	17	-0,31	-0,44
<b>Weighted average number of ordinary shares (diluted)</b>		<b>12,553,774</b>	<b>12,717,963</b>
Diluted net earnings per share (€)	17	-0,31	-0,44

**14.1.2. Condensed statement of comprehensive income**

<b>€K</b>	<b>Sept. 30, 2015</b>	<b>Sept. 30, 2014</b>
<b>Net income – Group share</b>	<b>-2,963</b>	<b>-5,800</b>
Exchange gains or losses	1,565	3,191
<i>Exchange gains or losses within the Group</i>	1,281	3,178
<i>Exchange gains or losses outside the Group</i>	285	13
Change in value of derivative hedging instruments	-138	91
Change in actuarial gains or losses concerning employee benefits	-	-
Taxes	-274	-
<b>Other comprehensive income items</b>	<b>1,154</b>	<b>3,282</b>
- Subsequently non recyclable to net income	-	-
- Subsequently recyclable to net income	1,154	3,282
<b>Comprehensive income for the period</b>	<b>-1,809</b>	<b>-2,517</b>
Attributable to the Group	-3,078	-2,275
Non-controlling interests	1,269	-243

### 14.1.3. Condensed statement of financial position

Assets, €K	Note	Sep 30, 2015	Dec 31, 2014
<b>Non-current assets</b>		<b>115,110</b>	<b>100,505</b>
Goodwill	8	48,300	39,952
Other intangible assets	9	41,925	43,181
Property, plant and equipment	9	10,329	8,965
Investments in associates	11	819	-
Financial assets	12	7,368	6,315
Deferred tax assets	7	6,370	2,093
<b>Current assets</b>		<b>195,735</b>	<b>210,157</b>
Inventories	13	48,735	31,788
Trade receivables		63,364	62,629
Other receivables		25,675	26,023
Other current financial assets	14	13,000	19,380
Cash and cash equivalents	14	44,960	70,338
<b>Total assets</b>		<b>310,845</b>	<b>310,663</b>
<b>Shareholders' equity and liabilities , €K</b>	<b>Note</b>	<b>Sep 30, 2015</b>	<b>Dec 31, 2014</b>
<b>Shareholders' equity</b>			
Share capital		1,914	1,944
Issue and contribution premiums		45,485	50,750
Reserves excluding earnings for the period		110,500	130,939
Earnings for the period - Group share		(3,947)	(2,592)
Exchange gains or losses		4,060	2,772
<b>Equity attributable to Parrot SA shareholders</b>		<b>158,011</b>	<b>183,813</b>
Non-controlling interests		389	(880)
<b>Non-current liabilities</b>		<b>44,751</b>	<b>28,809</b>
Non-current financial liabilities	20	11,882	5,189
Provisions for pensions and other employee benefits		2,934	2,587
Deferred tax liabilities	7	264	60
Other non-current provisions		(0)	(0)
Other non-current liabilities	18	29,671	20,974
<b>Current liabilities</b>		<b>107,693</b>	<b>98,920</b>
Current financial liabilities	20	1,166	7,308
Current provisions	19	9,479	8,500
Trade payables	18	50,719	61,209
Current tax liabilities	18	3,762	2,126
Other current liabilities	18	42,567	19,777
<b>Total shareholders' equity and liabilities</b>		<b>310,845</b>	<b>310,663</b>

#### 14.1.4. Condensed consolidated cash flow statement for the interim period

€K	Sept. 30, 2015	Sept. 30, 2014
<b>Operating cash flow</b>		
Earnings for the period	-2,962	-5,800
Share in income from equity affiliates	131	-
Depreciation and amortization	12,130	10,159
Capital gains and losses on disposals	-1	11
Capital gain linked to the revaluation of the interest previously recognized on an equity basis	-3,209	-704
Tax charges	78	2,905
Cost of share-based payments <sup>(1)</sup>	2,558	2,006
Cost of net financial debt	75	-659
<b>Cash flow from operations before cost of net financial debt and tax</b>	<b>8,800</b>	<b>7,917</b>
Change in working capital	-24,381	-6,923
Tax paid	-2,994	-478
<b>CASH FROM OPERATING ACTIVITIES (A)</b>	<b>-18,574</b>	<b>516</b>
<b>Investing cash flow</b>		
Acquisition of tangible and intangible assets	-10,029	-12,488
Acquisition of subsidiaries, net of cash acquired <sup>(2)</sup>	-1,654	186
Acquisition of financial assets	-3,873	-2,670
Disposal of tangible and intangible assets	1	-
Disposal of subsidiaries, net of cash divested	-	-
Disposal of long-term financial investments	96	92
<b>CASH FLOW FROM INVESTMENT ACTIVITIES (B)</b>	<b>-15,460</b>	<b>-14,881</b>
<b>Financing cash flow</b>		
Equity contributions <sup>(3)</sup>	1,940	481
Dividends paid	-	-
Receipts linked to new loans	11,385	-
Other financing	-	-
Cash invested for over 3 months	6,380	16,932
Cost of net financial debt	-75	659
Currency hedging instruments	-	-
Repayment of short-term financial debt (net)	-10,713	-5,083
Repayment of other debt	-	-
Sells/(Acquisition) of treasury stock <sup>(4)</sup>	-2,881	-164
<b>CASH FLOW FROM FINANCING ACTIVITIES (C)</b>	<b>6,036</b>	<b>12,826</b>
<b>NET CHANGE IN CASH POSITION (D = A+B+C)</b>	<b>-27,999</b>	<b>-1,539</b>
Impact of change in exchange rates	2,622	2,928
<b>CASH AND CASH EQUIVALENTS AT YEAR-START</b>	<b>70,338</b>	<b>54,263</b>
<b>CASH AND CASH EQUIVALENTS AT YEAR-END</b>	<b>44,960</b>	<b>55,652</b>

(1) Including €M1.9 of IFRS 2 cash-settled expenses concerning the senseFly, Pix4D and Airinov subsidiaries at September 30, 2015 and €M0.3 concerning the senseFly subsidiary at September 30, 2014.

(2) Of which:

- Cost of shares disbursed over the period for Airinov	-1,356
- Cash acquired from Airinov	318
- Cash acquired from Parrot Shmates	10
- Price supplement paid for Varioptic in 2015	-627

**Subsidiaries' acquisition, net from acquired cash flow** **-1,654**

(3) Capital increase through exercising of options.

(4) See Note 15 – Treasury stock.

#### 14.1.5. Condensed consolidated statement of changes in equity

€K	Capital	Issue and contribution premiums	Exchange gains or losses	Treasury stock	Group consolidated reserves	Total shareholders' equity	Equity interests	Total
<b>Position at end Dec. 2013</b>	<b>1,930</b>	<b>49,800</b>	<b>-1,093</b>	<b>-12,263</b>	<b>145,139</b>	<b>183,514</b>	<b>-611</b>	<b>182,903</b>
Net income	-	-	-	-	-5,544	-5,544	-254	-5,798
Other comprehensive income	-	-	3,178	-	91	3,269	13	3,282
Comprehensive income	-	-	3,178	-	-5,453	-2,275	-241	2,515
Changes in capital (1)	14	471	-	-164	-	322	-	322
Share-based payments	-	-	-	-	1,692	1,692	-	1,692
Securities buyback options	-	-	-	-	-2,876	-2,876	-	-2,876
<b>Position at end Sept. 2014</b>	<b>1,939</b>	<b>50,272</b>	<b>2,085</b>	<b>-12,427</b>	<b>138,502</b>	<b>180,376</b>	<b>-852</b>	<b>179,524</b>
<b>Position at end Dec. 2014</b>	<b>1,944</b>	<b>50,750</b>	<b>2,772</b>	<b>-12,424</b>	<b>140,770</b>	<b>183,812</b>	<b>-880</b>	<b>182,932</b>
Net income	-	-	-	-	-3,947	-3,947	985	-2,936
Other comprehensive income	-	-	1,281	-	-411	869	285	1,154
Comprehensive income	-	-	1,281	-	-4,359	-3,078	1,269	-1,809
Changes in capital (1)	-30	-5,265	-	4,237	-	-1,059	-	-1,059
Share-based payments	-	-	-	-	1,161	1,161	-	1,161
Securities buyback options (2)	-	-	-	-	-22,825	-22,825	-	-22,825
<b>Position at end Dec. 2014</b>	<b>1,914</b>	<b>45,485</b>	<b>4,053</b>	<b>-8,187</b>	<b>114,747</b>	<b>158,011</b>	<b>389</b>	<b>158,401</b>

(1) The changes in the capital over the first nine months of 2015 primarily reflect:

- A capital increase based on the exercising of options for 18,000 euros, with a 1,935,000 euro issue premium.
- A capital reduction based on the cancellation of treasury stock for 48,000 euros, with a 7,200,000 euro issue premium. See Note 16 – Shareholders' equity and Note 15 - Treasury stock.

(2) The change in call options factors in the revaluation of the buyout commitments granted to the minority shareholders in senseFly and Pix4D and the recognition of the buyout commitments granted in 2015 to the minority shareholders in Airinov. Cf. Note 18 - Current and non-current liabilities.

#### 14.1.6. Notes

##### NOTE 1 - The Company

The condensed consolidated interim financial statements herein present the financial position and operations of PARROT S.A. and its subsidiaries (referred to collectively as “the Group”), as well as the Group’s interests in affiliated or jointly-controlled companies. Parrot is a listed French company with its registered office in Paris.

The condensed consolidated interim financial statements at September 30, 2015 were approved by the Board of Directors on November 10, 2015. These accounts have been prepared on an exceptional basis in connection with the capital operation carried out by Parrot S.A. in November 2015.



The condensed consolidated interim financial statements are presented in euros. All the financial data are rounded off to the nearest thousand euros.

## NOTE 2 - Accounting methods and rules

The condensed consolidated interim financial statements at September 30, 2015 have been prepared in accordance with the valuation and recognition principles from the international accounting standards defined by the International Accounting Standards Board (IASB). These international accounting standards comprise the International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS), as well as their interpretations, adopted by the European Union at September 30, 2015.

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting". They do not include all the information required by IFRS for the preparation of complete full-year financial statements and must be read in conjunction with the Group's financial statements for the year ended December 31, 2014.

The accounting principles applied for the preparation of the condensed consolidated interim financial statements for the period from January 1, 2015 to September 30, 2015 are identical to those used for the presentation of the consolidated financial statements for the year ended December 31, 2014, with the exception of the first-time application of the following new standards, amendments to standards and interpretations adopted by the European Union:

- IFRIC 21: Levies. With this interpretation, these expenses are to be recognized when the obligation arises to pay them. The recognition of these expenses can no longer be deferred in the interim accounts, unless the obligating event occurs over a period of time. The impact of this interpretation primarily concerns the contribution to the "C3S".
- Amendments to IFRS 10, 11 and 12: Transition Guidance.
- Amendments to IFRS 10, IFRS 12 and IAS 27: Investment Entities.
- Annual Improvements (2011-2013 cycle): annual process for improving standards, 2010-
- 2012 cycle (published on December 12, 2013).

The application of these standards and interpretations has not had any material impact on the presentation of the consolidated financial statements. The standards, amendments to standards and interpretations adopted by the IASB or IFRIC, but not yet adopted by the European Union at September 30, 2015, have not been applied early. This concerns the mandatory effective date for IFRS 9 and transition disclosure requirements.

### *Translation of financial statements*

The conversion rates for the main currencies used within the Group at September 30, 2014 and 2015 and for the nine-month periods ended September 30, 2014 and 2015 were as follows:

Closing rate	Sept 30, 2015	Sept 30, 2014	Average rate	Sept 30, 2015	Sept 30, 2014
Australian Dollar	0.627	0.692	Australian Dollar	0.684	0.677
Swiss Franc	0.916	0.829	Swiss Franc	0.942	0.821
Chinese Yuan	0.140	0.129	Chinese Yuan	0.144	0.120
Euro	1.000	1.000	Euro	1.000	1.000
Pound Sterling	1.354	1.287	Pound Sterling	1.375	1.231
Hong Kong Dollar	0.115	0.102	Hong Kong Dollar	0.116	0.095
Japanese Yen	0.007	0.007	Japanese Yen	0.007	0.007
US Dollar	0.893	0.795	US Dollar	0.897	0.738

### *Estimates*

To prepare condensed consolidated interim financial statements, the management team is required to exercise its judgment and make various estimates and assumptions that have an impact on the application of the accounting methods and the amounts of assets, liabilities, income and expenses. Actual values may be different from the estimated values.

In connection with the preparation of the condensed consolidated interim financial statements, the significant cases of judgment exercised by management to apply the Group's accounting methods and the main sources of

uncertainty relating to estimates are identical to those presented in the consolidated financial statements for the year ended December 31, 2014.

### NOTE 3 - Basis for consolidation

The Parrot Group's basis for consolidation comprises 19 companies, with the following changes during the first three quarters of 2015:

- Parrot Automotive S.A.S., fully-owned subsidiary of Parrot SA and fully consolidated, created in connection with the hive-down of the OEM Automotive branch;
- Parrot Automotive Asia Pacific Ltd, fully-owned subsidiary of Parrot Automotive S.A.S. Ltd and fully consolidated, created in connection with the hive-down of the OEM Automotive branch;
- Parrot Automotive Shenzhen, fully-owned subsidiary of Parrot Automotive Asia Pacific Ltd and fully consolidated, created in connection with the hive-down of the OEM Automotive branch;
- Pix4D Inc., fully-owned subsidiary of Pix4D SA and fully consolidated, created in February 2015;
- Parrot Shmates S.A.S., subsidiary created in July 2015 and 80%-owned by Parrot SA, fully consolidated;
- Airinov S.A.S., subsidiary 59%-owned by Parrot S.A. and fully consolidated since August 1, 2015, cf. Note 10 – Business combinations;
- EOS Innovation, 49% interest held by Parrot SA, consolidated on an equity basis since August 1, 2015, cf. Note 11 – Associates.

The project to hive-down the Drone business (consumer and commercial) is underway. This project is based on the legal framework for spin-offs and will be submitted at an extraordinary general meeting convened for November 6, 2015. The Connected Devices business, which primarily includes the Group's long-term research lab, will also be integrated into this new company: Parrot Drones.

The full list and consolidation methods are presented below:

Name	Address	Country	%	Sept. 30, 2015 Consolidation method
<b>PARENT COMPANY</b>				
<b>Parrot S.A.</b>	174 quai de Jemmapes 75010 Paris	France		
<b>CONSOLIDATED SUBSIDIARIES</b>				
<b>Airinov S.A.S.</b>	48 rue René Clair 75899 Paris 18	France	59%	Fully consolidated
<b>Chez Parrot S.A.R.L.</b>	30-34 rue du Quatre Septembre 75002 Paris	France	100%	Fully consolidated
<b>Parrot Automotive S.A.S.</b>	174 quai de Jemmapes 75010 Paris	France	100%	Fully consolidated
<b>Parrot Shmates S.A.S.</b>	174 quai de Jemmapes 75010 Paris	France	80%	Fully consolidated
<b>Parrot Iberia S.L.</b>	Calle Ulises 108 28043 Madrid	Spain	100%	Fully consolidated
<b>Parrot Inc.</b>	3000 Town Center STE 2340 Southfield, MI 48075	USA	100%	Fully consolidated
<b>Pix4D Inc.</b>	150 Post Street, Suite 650 San Francisco, CA 94108	USA	56%	Fully consolidated
<b>Parrot Italia Srl.</b>	Via Lattanzio 23 20123 Milan	Italy	100%	Fully consolidated
<b>Parrot GmbH.</b>	Leopoldstrasse 254 80807 München	Germany	100%	Fully consolidated
<b>Parrot UK Ltd</b>	Unit 1, 20 Avenue Road, Aston Birmingham B6 4DY	UK	100%	Fully consolidated
<b>Parrot Asia Pacific Ltd</b>	Suite 930, 9/F Ocean Drive, 5 Canton Road, Tsimshatsui, Kowloon	Hong Kong	100%	Fully consolidated

	Hong Kong			
<b>Parrot Automotive Asia Pacific Ltd (subsidiary of Parrot Automotive S.A.S.)</b>	Suite 930, 9/F Ocean Drive, 5 Canton Road, Tsimshatsui, Kowloon Hong Kong	Hong Kong	100%	Fully consolidated
<b>Parrot Shenzhen (subsidiary of Parrot Asia Pacific Ltd)</b>	Room 1501-1503, Centres Commerce Building, 88 Fuhua Yi Road, Futian Centers District, Shenzhen	China	100%	Fully consolidated
<b>Parrot Automotive Shenzhen (subsidiary of Parrot Automotive Asia Pacific Ltd.)</b>	Room 1501-1503, Centres Commerce Building, 88 Fuhua Yi Road, Futian Centers District, Shenzhen	China	100%	Fully consolidated
<b>Parrot Japan KK</b>	PMC Building 1-23-5 Higashi-Azabu, Minato-ku, Tokyo	Japan	100%	Fully consolidated
<b>Parrot Anz Ltd Limited</b>	68 72 York street South Melbourne Victoria 3205	Australia	100%	Fully consolidated
<b>senseFly</b>	Route de Genève 38 1033 Cheseaux-sur-Lausanne	Switzerland	62%	Fully consolidated
<b>Pix4D</b>	EPFL Innovation Park Building D, 1015 Lausanne	Switzerland	56%	Equity basis
<b>EOS Innovation</b>	7 rue Montespan 91000 Evry	France	49%	MEE

At December 31, 2014, the basis for consolidation comprised Parrot SA and 12 subsidiaries.

#### NOTE 4 – Segment reporting

Parrot's business is organized around four operating segments:

- **Drones:** grouping together the Parrot Drones and Commercial Drones activities within the same BU;
- **Automotive:** grouping together the Retail Automotive business (Car Kit and Plug and Play product lines) and Key Account Automotive activities;
- **Connected Devices:** grouping together the Audio products and other connected devices;
- **Other:** comprising Varioptic, the specialized optics business.

The classification of the Plug & Play business has been changed from the Connected Devices BU to the Automotive BU since January 1, 2015.

The following tables present the information on these four segments used by the Chief Operating Decision Maker to assess segment performance, i.e. revenues and income from ordinary operations, and decide on the allocation of resources.

The data for each operating segment follow the same accounting rules as those used and described in these consolidated financial statements.

#### *Income statement at September 30, 2015 and September 30, 2014*

€'000	Automotive	Drones	Connected devices	Other	Sept. 30, 2015
Revenues	96,306	109,423	10,943	1,420	218,092
in % of the Group revenues	44%	50%	5%	1%	100%
Income from ordinary operations	7,500	-5,084	-3,813	-2,342	-3,738

€'000	Automotive	Drones	Connected devices	Other	Sept. 30, 2015
Revenues	108,208	45,819	8,113	1,360	163,500
in % of the Group revenues	66%	28%	5%	1%	100%
Income from ordinary operations	3,362	242	-5,491	-1,459	-3,347

The scope at September 30, 2014 includes the reclassification of the Plug & Play business from the Connected Devices BU to the Automotive BU.

*Statement of financial position at September 30, 2015 and December 31, 2014*

€K	Automotive	Drones	Connected Devices	Other	Not allocated	Dec 31, 2014
<b>Non-current assets</b>	<b>72,756</b>	<b>23,326</b>	<b>1,133</b>	<b>72</b>	<b>3,216</b>	<b>100,505</b>
Goodwill	36,327	3,624	-	-	-	39,952
Other intangible assets	31,464	11,717	-	-	-	43,181
Property, plant and equipment	4,964	3,050	879	72	-	8,965
Investments in associates	-	-	-	-	-	-
Financial assets	-	4,935	254	-	1,123	6,312
Deferred tax assets	-	-	-	-	2,093	2,093
<b>Current assets</b>	<b>66,693</b>	<b>40,973</b>	<b>11,810</b>	<b>964</b>	<b>89,717</b>	<b>210,157</b>
Inventories	17,603	10,814	3,117	254	-	31,788
Trade receivables	34,681	21,306	6,141	501	-	62,629
Other receivables	14,410	8,853	2,552	208	-	26,023
Other current financial assets	-	-	-	-	19,380	19,380
Cash and cash equivalents	-	-	-	-	70,338	70,338
<b>Non-current liabilities</b>	<b>1,360</b>	<b>21,845</b>	<b>274</b>	<b>82</b>	<b>5,248</b>	<b>28,809</b>
Non-current financial liabilities	-	-	-	-	5,189	5,189
Provisions for pensions and other employee benefits	1,360	872	274	82	-	2,587
Deferred tax liabilities	-	-	-	-	59	59
Other non-current provisions	-	-	-	-	-	-
Other non-current liabilities	-	20,974	-	-	-	20,974
<b>Current liabilities</b>	<b>48,030</b>	<b>30,356</b>	<b>8,393</b>	<b>1,590</b>	<b>10,552</b>	<b>98,920</b>
Current financial liabilities	-	-	-	-	7,308	7,308
Current provisions	3 034	4 198	738	17	513	8 500
Trade payables	33 895	20 823	6 002	490	-	61 209
Current tax liabilities	-	-	-	-	2 126	2 126
Other current liabilities	11 101	5 335	1 653	1 083	605	19 777

**NOTE 5 - Other operating income and expenses**

€K	Sept. 30, 2015	Sept. 30, 2014
Fair value through P&L of the Airinov stake	3,312	-
Fair value through P&L of the EOS stake	-102	-
Fair value through P&L of the Pix4D stake	-	704
Others	-2,464	-1,484
<b>Other operating revenues and expenses</b>	<b>745</b>	<b>-780</b>

At September 30, 2015, the “Other” line includes:

- Costs for legal advisor fees relating to disputes for (1,410,000) euros.
- Costs relating to the Group's reorganization for (634,000) euros.

The costs relating to the reorganization exclusively concern external fees.

At September 30, 2014, the “Other” line includes:

- Costs for legal advisor fees relating to disputes for (1,050,000) euros.
- Impairment of goodwill for the Other CGU for (434,000) euros.

At September 30, 2014, the costs for legal advisor fees relating to disputes were recorded under administrative costs and overheads and they have been reclassified as other operating expenses.

**NOTE 6 – Other financial income and expenses**

€K	Sept. 30, 2015	Sept. 30, 2014
----	----------------	----------------

Cost of gross financial debt	-516	-338
Income from cash and cash equivalents	441	998
Cost of net financial debt	-75	659
Exchange gains	4,718	2,758
Exchange losses	-4,316	-2,122
Other financial income and expenses	314	572
<b>TOTAL</b>	<b>239</b>	<b>1,232</b>

#### NOTE 7 – Tax

€K	Sept. 30, 2015	Sept. 30, 2014
Current tax	-4,379	-2,960
Deferred tax	4,301	55
<b>Total</b>	<b>-78</b>	<b>-2,905</b>

The current tax expense for the first three quarters of 2015 includes a 4,379,000 euro tax expense for the subsidiaries, compared with 2,960,000 euros in 2014, and 766,000 euros for the French CVAE tax on business value added for 2015, compared with 523,000 euros in 2014.

Deferred tax assets are recorded based on the assumption for the transfer of Parrot SA's tax losses to Parrot Automotive S.A.S. (request for approval underway for 51.7 million euros), as well as the capitalization of the losses carried forward for Parrot Inc for 4.1 million euros (tax effect) in line with the business plan.

#### NOTE 8 – Goodwill

€K	Dec 31, 2014	Increase	Decrease	Changes in scope	Exchange gains / losses and reclassifications	Sep 30, 2015
<b>Gross values</b>						
Automotive CGU	36,327				233	36,560
Consumer CGU	-	-	-	-	-	-
Drones CGU	3,624	-	-	8,115		11,739
Other CGU	3,434	-	-	-	-	3,434
<b>Total</b>	<b>43,386</b>	<b>-</b>	<b>-</b>	<b>8,115</b>	<b>233</b>	<b>51,734</b>
<b>Impairments</b>						
Automotive CGU	-	-	-	-	-	-
Consumer CGU	-	-	-	-	-	-
Drones CGU	-	-	-	-	-	-
Other CGU	(3,434)	-	-	-	-	(3,434)
<b>Total</b>	<b>(3,434)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,434)</b>
<b>Net book values</b>						
Automotive CGU	36,327	-	-	-	233	36,560
Consumer CGU	-	-	-	-	-	-
Drones CGU	3,624			8,115		11,739
Other CGU	-	-	-	-	-	-
<b>Total</b>	<b>39,952</b>	<b>-</b>	<b>-</b>	<b>8,115</b>	<b>233</b>	<b>48,300</b>

The Group organizes its activities and reporting structure around four operating segments, representative of its cash generating units (CGUs). The operating segments represent the level at which goodwill is monitored by the Group's management. The CGUs identified by the Group are now as follows:

- Automotive,
- Drones,
- Connected devices,
- Other.

In July 2015, Parrot SA acquired further Airinov securities, giving it control over this company. It has been fully consolidated since August 1, 2015. The acquisition of Airinov has generated 8,115,000 euros in goodwill, allocated to the Drones CGU (cf. Note 10 – Business combinations). In accordance with IFRS3R, the Group has one year to allocate this goodwill.

The Group carries out value tests annually or when any evidence of impairments arises. Since there are no indicators of impairment for the Group's CGUs, no impairment tests were carried out at September 30, 2015.

**NOTE 9 – Intangible assets and property, plant and equipment**

*Intangible assets*

€K	Dec 31, 2014	Increase	Decrease	Changes in scope	Exchange gains or losses	Sept 30, 2015
<b>Gross values</b>						
R&D costs	57,274	4,935	-	-	124	62,332
Patents and brands	21,145	159	-	109	534	21,948
Software	3,479	94	-	-	-	3,573
Fixed assets under construction	94	73	-	-	-	167
Other intangible assets	8	-	-	-	-	8
<b>Total</b>	<b>81,999</b>	<b>5,261</b>	<b>-</b>	<b>109</b>	<b>658</b>	<b>88,028</b>
<b>Depreciation and amortization</b>						
R&D costs	-23,418	-4,573	-	-	3	-27,989
Patents and brands	-12,396	-1,951	-	-	-266	-14,649
Software	-3,005	-460	-	-	-	-3,465
Fixed assets under construction	-	-	-	-	-	-
Other intangible assets	-	-	-	-	-	-
<b>Total</b>	<b>-38,818</b>	<b>-6,985</b>	<b>-</b>	<b>-</b>	<b>-263</b>	<b>-46,103</b>
<b>Net book values</b>						
R&D costs	33,856	361	-	-	127	34,344
Patents and brands	8,749	-1,792	-	109	268	7,298
Software	474	-366	-	-	-	108
Fixed assets under construction	94	73	-	-	-	167
Other intangible assets	8	-	-	-	-	8
<b>Total</b>	<b>43,181</b>	<b>-1,724</b>	<b>-</b>	<b>109</b>	<b>395</b>	<b>41,925</b>

*Property, plant and equipment*

€K	Dec 31, 2014	Increase	Decrease	Changes in scope	Exchange gains or losses	Sept 30, 2015
<b>Gross values</b>						
Buildings	2	-	-	-	-	-
Plant and equipment	19,442	3,996	-9	331	723	24,483
Other property, plant and equipment	10,794	772	-2	51	32	11,647
<b>Total</b>	<b>30,237</b>	<b>4,768</b>	<b>-11</b>	<b>382</b>	<b>755</b>	<b>36,132</b>
<b>Amortization</b>						
Buildings	-1	-0	-	-	-	-1
Plant and equipment	-14,869	-2,122	10	-1,034	-389	-18,404
Other property, plant and equipment	-6,404	-1,901	1	935	-31	-7,399
<b>Total</b>	<b>-21,274</b>	<b>-4,023</b>	<b>11</b>	<b>-99</b>	<b>-420</b>	<b>-25,804</b>
<b>Net book values</b>						
Buildings	1	0	-	-	-	1
Plant and equipment	4,573	1,874	0	-703	334	6,078
Other property, plant and equipment	4,390	-1,128	-0	986	1	4,248
<b>Total</b>	<b>8,963</b>	<b>746</b>	<b>0</b>	<b>283</b>	<b>335</b>	<b>10,327</b>

## NOTE 10 - Business combinations

### *Acquisition of Airinov*

On February 18, 2014, Parrot acquired a 23.26% stake in Airinov, a rapidly developing company with dedicated drones for precision farming, one of the three target markets for Parrot's Commercial Drone branch. On July 24, 2015, Parrot acquired a further 35.77%, increasing its interest to 59.03%. Airinov has been fully consolidated since August 1, 2015.

The acquisition price for the 23.26% corresponding to the first tranche was 1,570,000 euros (subscribing for a capital increase for 1,500,000 euros and acquiring securities from minority shareholders for 70,000 euros), remeasured at fair value at 4,882,000 euros. The acquisition price for the 35.77% corresponding to the second tranche was 7,507,000 euros (subscribing for a capital increase for 6,096,000 euros and acquiring securities from minority shareholders for 1,411,000 euros).

€K	
Intangible assets	72.9
Tangible assets	283.3
Current assets	1,231.4
Cash	6,414.4
Financial liabilities	-11.3
Current liabilities	-763.1
Other	-155.2
<b>Net assets acquired</b>	<b>7,072.3</b>
Minority interests	2,897.5
<b>Proportion of the net assets acquired</b>	<b>4,174.8</b>
Goodwill	8,115.2
<b>Acquisition cost at fair value</b>	<b>12,290.0</b>

In addition, the 36.9% interest held by the minority shareholders in Airinov is subject to cross put and call options that may be exercised in 2019. Parrot's commitment to buy out the minority interests, valued based on future earnings, has been recorded under other non-current liabilities, against a reduction in non-controlling interests for (2.8) million euros and shareholders' equity for (12.6) million euros.

Airinov has been consolidated since August 1, 2015, contributing 0.3 million euros to the Group's revenues and (0.2) million euros to its EBIT at September 30, 2015. If Airinov had been acquired on January 1 of the year, the Group's revenues and the Parrot Group's EBIT would not have been materially affected.

## NOTE 11 – Associates

### *Acquisition of EOS Innovation*

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

The acquisition price for the 37.06% corresponding to the first tranche was 1,045,000 euros (subscribing for a capital increase). The acquisition price for the 11.99% corresponding to the second tranche was 290,000 euros (acquiring securities from minority shareholders).

EOS Innovation has been consolidated on an equity basis since August 1, 2015. The goodwill, recorded under investments in associates, is presented below:

€K	
Intangible assets	483.1
Tangible assets	216.3
Current assets	811.5
Cash	1,335.9
Financial liabilities	-2,546.8
Current liabilities	-343.7



<b>Net assets acquired</b>	<b>-43.7</b>
Minority interests	-22.2
<b>Proportion of the net assets acquired</b>	<b>-21.4</b>
Goodwill	970.7
<b>Acquisition cost at fair value</b>	<b>949.3</b>

The assets and liabilities have not been identified at September 30, 2015.

#### NOTE 12 - Financial assets

At September 30, 2015, financial assets primarily included:

- 2.0 million euros of convertible bonds issued by its subsidiary on July 17, 2015 at the same time as it acquired its interest in EOS Innovation.
- 38.89% (1,624,000 euros) of MICASENSE, a company that produces and sells sensors for Commercial Drones, acquired on October 29, 2014.
- 45% of the capital of Iconem, acquired on July 24, 2015, specialized in the digital conservation of archaeological sites for 1,389,000 euros.

At September 30, 2014, financial assets primarily included:

- 37.06% (1,045,000 euros) of EOS INNOVATION, a specialist in mobile robotics for the surveillance of industrial sites, logistics platforms and warehouses, acquired on January 27, 2014;
- 23.26% (1,625,000 euros) of AIRINOV, a company that produces and sells a dedicated drone solution exclusively for agronomic use, with an optical sensor and processing chain making it possible to accurately observe farms and crops, acquired on February 18, 2014.

#### NOTE 13 – Inventories

€K	Dec 31, 2014	Change	Changes in scope	Exchange gains or losses	Sept 30, 2015
Gross values	37,756	16,382	157	1,373	55,667
Depreciation	-5,967	-724	-	-243	-6,934
<b>Total net book values</b>	<b>31,788</b>	<b>15,657</b>	<b>157</b>	<b>1,130</b>	<b>48,733</b>

#### NOTE 14 - Cash, cash equivalents and other current financial assets

The concept of net cash used by the Group corresponds to cash that is immediately available, as per IAS 7, in addition to other current financial assets held by the Group in connection with its cash management.

Short-term investments and other current financial assets are based on risk-free vehicles, such as certificates of deposit, term accounts or deposits, and negotiable rate money market notes (guaranteed capital).

At September 30, 2015, cash, cash equivalents and other current financial assets denominated in USD represented 11.5% of other current financial assets and cash and cash equivalents.

€K	Sept 30, 2015	Sept 30, 2014
Cash and cash equivalents at year-end	44,960	55,652
Other current financial assets	13,000	25,740
<b>Cash and cash equivalents and Other financial assets at year-end</b>	<b>57,960</b>	<b>81,392</b>

**NOTE 15 - Treasury stock**

	Dec 31, 2014	Acquisition	Disposals	Reclassifications	Cancellations	Awarded on registered basis	Sept 30, 2015
Number of securities	582,819	364,400	-220,349	-	-320,000	-34,800	372,070
<b>Value (€)</b>	<b>12,426,143</b>	-	-	-	-	-	<b>8,187,683</b>

Treasury shares are intended either for the distribution of shares to staff or to improve the liquidity of Parrot's share price under a liquidity agreement.

**NOTE 16 - Shareholders' equity***16.1 Share capital and issue premium*

At September 30, 2015, the capital comprised 12,553,774 fully paid-up ordinary shares, representing 1,913,833 euros, with an issue premium of 45,484,610 euros. Changes in the number of shares outstanding can be broken down as follows:

	Dec 31, 2014	Issues	Reduction	Sept 30, 2015
Number of securities	12,753,663	120,111	-320,000	12,553,774
Round off par value (€)	0.15	-	-	0.15
<b>Share capital (€)</b>	<b>1,944,301</b>	-	-	<b>1,913,833</b>

During the first three quarters of 2015, a subscription was recorded for 120,111 securities (exercising the rights of holders of marketable securities), while 320,000 securities were cancelled through a cancellation of treasury stock.

*16.2 Share warrant scheme*

NA

*16.3 Plan for awarding units settled in Parrot shares subject to company performance and presence conditions*

In accordance with the delegations granted by the Appointments and Compensation Committee, Parrot S.A.'s management team awarded:

- On March 1, 2015, a plan for 101,500 units settled in Parrot shares, subject to various presence conditions.
- On July 1, 2015, a plan for 1,500 units settled in Parrot shares, subject to various presence conditions.

*Fair value of share schemes*

Parrot S.A. has determined the fair value of goods and services received over the period based on the fair value of the equity instruments awarded.

*Impact on the financial statements*

Based on the calculation parameters used to determine the fair value in line with the Black and Scholes method or the optional binomial model for bonus shares subject to company performance conditions, the expense recognized for the awarding of stock options, warrants and bonus shares totaled 2,558,000 euros for the first three quarters of 2015 (compared with 1,692,000 euros at September 30, 2014), recorded under income from ordinary operations.

The total of 2,558,000 euros represents a 1,161,000 euro expense relating to equity settled instruments and a 1,397,000 euro expense relating to cash settled instruments for senseFly concerning senseFly's employees.

**NOTE 17 - Earnings per share***Basic earnings per share*

The level of basic earnings per share is obtained by dividing earnings (Group share) by the weighted average number of ordinary shares outstanding during the period, less any treasury stock, as relevant. The weighted average number of ordinary shares represents an annual average calculated based on the issue or redemption date for shares over the period.

	Sept 30, 2015	Sept 30, 2014
Net income (Group share, €)	-3,947,256	-5,543,674
Weighted average number of shares outstanding	12,553,774	12,717,963
Basic net earnings per share (€)	<b>-0,31</b>	<b>-0,44</b>

#### *Diluted earnings per share*

Diluted earnings per share are identical to the Group's net income. As the latter is negative, the dilutive instruments have not been taken into account.

	Sept 30, 2015	Sept 30, 2014
Net income, diluted (Group share, €)	-3,947,256	-5,543,674
Weighted average number of shares outstanding	12,553,774	12,717,963
Diluted net earnings per share (€)	<b>-0,31</b>	<b>-0,44</b>

#### **NOTE 18 - Current and non-current liabilities**

	Sept 30, 2015	Sept 30, 2014
<b>Vendors</b>	<b>50,719</b>	<b>61,209</b>
<b>Current tax liabilities</b>	<b>3,762</b>	<b>2,126</b>
Advances to suppliers	1,109	500
Fiscal and social liabilities	13,635	13,080
Other liabilities	27,823	6,197
<b>Other current liabilities</b>	<b>42,568</b>	<b>19,777</b>
Debt on acquired assets	29,671	20,974
<b>Other non-current liabilities</b>	<b>29,671</b>	<b>20,974</b>

Parrot's obligations to buy back senseFly, Pix4D and Airinov securities are recognized under liabilities relating to acquisitions of fixed assets, classed as current and non-current liabilities depending on the exercise date. These call options are measured at fair value based on operational performance.

Current and non-current liabilities include 47.9 million euros relating to these put options, measured at fair value based on operational performance. The increase in these two items is linked to the revaluation of the call options for senseFly and Pix4D for 10.4 million euros, considering the performance improvements expected, as well as the foreign exchange effect for 1.8 million euros, and the recognition of the Airinov call options for 15.6 million euros.

The call options for senseFly have been reclassified from non-current liabilities to current liabilities since June 30, 2015.

#### **NOTE 19 – Current provisions**

€K	Dec 31, 2014	Allowance	Reversals used	Change in scope	Translation difference	Dec 31, 2014
Provisions for customer warranties	3,952	2,313	-1,073	-	97	5,288
Other prov. for contingencies and liabilities	4,548	2,543	-3,006	-	106	4,190
<b>Total current provisions</b>	<b>8,500</b>	<b>2,768</b>	<b>-4,092</b>	<b>-</b>	<b>216</b>	<b>9,479</b>

Other provisions for contingencies and liabilities primarily concern:

#### ■ **Provisions for disputes**

The main dispute involving Parrot concerns the patent infringement litigation proceedings with the company Drones Technologies, for which a preliminary ruling was issued against Parrot SA and its American subsidiary in June 2015 for an estimated total of \$11 million, which has not been paid, but is covered by a guarantee (cf. Note 24 - Off-balance sheet commitments). The Company, supported by its advisors, believes it has serious grounds for challenging this ruling. The dispute is now being reexamined by the Court of Appeals as requested by the Company.

Alongside this, the Company opened proceedings in 2014 with the United States Patent and Trademark Office (USPTO) to revoke the two patents in question. On October 20, 2015, the USPTO confirmed the validity of one patent and partially invalidated the other patent. The Company is looking into the possibility of appealing this decision.

Based on an analysis of this risk and the criteria set out in IAS 37, no provisions have been recorded in the accounts at September 30, 2015, with the exception of the legal fees and guarantee still to be covered through to the end of the litigation proceedings for 0.4 million euros.

- 0.5 million euros in provisions for tax risks
- 1.2 million euros in provisions for supplier commitments
- 1.3 million euros in provisions for various commercial and employee disputes.

#### NOTE 20 - Financial debt

€K	Sept 30, 2015	Sept 30, 2014
Borrowings and debt with credit institutions	10,236	3,692
Other borrowings and related liabilities	1,646	1,497
<b>Non-current financial debt (long term)</b>	<b>11,882</b>	<b>5,189</b>
Borrowings and debt with credit institutions	965	7,000
Other borrowings and related liabilities	201	284
Accrued interest payable	-	24
<b>Current financial debt (short term)</b>	<b>1,166</b>	<b>7,308</b>

#### *Borrowings and debt with credit institutions*

At September 30, 2015, financial liabilities primarily comprised:

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

#### ■ Borrowings and debt with credit institutions

At September 30, 2015

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

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

On August 4, 2015, the Company made an initial drawdown from this credit line for 11.2 million euros. Alongside this, the Company set up a new rate risk hedging contract linked to fluctuations in the three-month Euribor. This first drawdown has been hedged in full at a fixed rate of 0.64% through to its maturity in June 2022; the same conditions will be set up for future drawdowns (25 million euros in the second quarter of 2016 and 10 million euros in the second quarter of 2017) in connection with the finalization of the acquisitions of senseFly and Pix4D.

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

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

At September 30, 2015, the breakdown of borrowings and debt with credit institutions was as follows:

- Borrowings: 10,855,000 euros, with 9,923,000 euros over one year and 932,000 euros under one year;
- Fair value of the swap: -313,000 euros;
- Use of short-term credit lines: 11,000 euros.

#### ***Sundry borrowings and financial debt***

They represent the OSEO advance received by Varioptic, initially repayable from September 2010. The repayment schedule for this zero-rate advance was redefined with the amendment dated September 28, 2010, running from September 30, 2012 to June 30, 2016. At September 30, 2015, the OSEO advance represented 201,000 euros (under one year).

At September 30, 2015, the fair value of the OSEO advance was estimated at 201,000 euros, factoring in the probability of advances being repaid, resulting from the probability of success with the projects funded, and the discounting of cash flows based on a representative rate for the cost of debt (Euro Industrial BBB-, average maturity of five years, i.e. 4.5%).

At September 30, 2015, five conditional long-term loans were in place (government loans to support young businesses):

- Two for senseFly for a total of 120,000 Swiss francs;
- Three for Pix4D for a total of 409,000 Swiss francs.

At September 30, 2015, an interest-free repayable advance from BPI France was also recorded for Parrot Automotive in connection with the FELIN future integrated LTE equipment with virtualization project, aiming to develop next-generation integrated circuits and equipment for 4G connected devices, particularly for the automotive market, for a total of 1,162,000 euros. This advance will be repayable in four installments from June 2018 to June 2021.

## **NOTE 21 - Financial instruments**

### ***21.1 Category and fair value of financial assets and liabilities***

<b>At September 30, 2015 (€K)</b>	<b>Fair value through P&amp;L</b>	<b>Fair value through equity</b>	<b>Available-for-sale assets</b>	<b>Loans and receivables</b>	<b>Debt at amortized cost</b>	<b>Derivative instruments</b>	<b>Balance sheet value</b>	<b>Fair value</b>
Financial assets			7,369				-	-
Trade receivables				63,364			63,364	63,364
Other current receivables				25,675			25,675	25,675
Other current financial assets	13,000						13,000	13,000
Cash and cash equivalents	44,960						44,960	44,960
<b>Total financial assets</b>	<b>57,960</b>	<b>-</b>	<b>7,369</b>	<b>89,039</b>	<b>-</b>	<b>-</b>	<b>147,000</b>	<b>147,000</b>
Other financial liabilities					12,714	335	13,048	13,048
Other non-current liabilities		27,639			2,032		29,671	29,671
Trade payables					50,719		50,719	50,719
Other current liabilities		20,516			22,051		42,567	42,567
<b>Total financial liabilities</b>	<b>-</b>	<b>48,155</b>	<b>-</b>	<b>-</b>	<b>87,515</b>	<b>335</b>	<b>136,005</b>	<b>136,005</b>

At December 31, 2014 (€K)	Fair value through P&L	Fair value through equity	Available-for-sale assets	Loans and receivables	Debt at amortized cost	Derivative instruments	Balance sheet value	Fair value
Financial assets	-	-	6,315	-	-	-	-	-
Trade receivables	-	-	-	62,629	-	-	62,629	62,629
Other current receivables	-	-	-	26,023	-	-	26,023	26,023
Other current financial assets	19,380	-	-	-	-	-	19,380	19,380
Cash and cash equivalents	70,338	-	-	-	-	-	70,338	70,338
<b>Total financial assets</b>	<b>89,717</b>	<b>-</b>	<b>6,315</b>	<b>88,652</b>	<b>-</b>	<b>-</b>	<b>178,369</b>	<b>178,369</b>
Other financial liabilities	-	-	-	-	12,305	192	12,496	12,496
Other non-current liabilities	-	20,974	-	-	645	-	21,619	21,619
Trade payables	-	-	-	-	61,209	-	61,209	61,209
Other current liabilities	-	-	-	-	19,132	-	19,132	19,132
<b>Total financial liabilities</b>	<b>-</b>	<b>20,974</b>	<b>-</b>	<b>-</b>	<b>93,291</b>	<b>192</b>	<b>114,456</b>	<b>114,456</b>

### 21.2 Fair value hierarchy

The criteria used for recording financial instruments at each fair value level are objective criteria based on the definition of fair value levels under IFRS 7.

The categories of assets and liabilities measured at fair value after their initial recognition are as follows:

- Assets / liabilities measured at fair value through profit or loss and through equity;
- Available-for-sale assets;
- Future cash-flow hedging derivative instruments.

The fair value hierarchy is based on the following levels:

- Quoted prices (unadjusted) on active markets for identical assets or liabilities (Level 1);
- Input data other than the quoted prices included within Level 1 that are observable for the asset or liability, either directly - through prices - or indirectly - through data derived from prices - (Level 2);
- Input data relating to the asset or liability that are not based on observable market data - unobservable inputs - (Level 3).

We did not make any transfers between the various levels between 2014 and 2015.

At September 30, 2015 (€K)	Total	Level 1	Level 2	Level 3
<b>Financial assets measured at fair value:</b>				
Other current financial assets	13,000	13,000	-	-
Cash and cash equivalents	44,960	44,960	-	-
<b>Total assets</b>	<b>57,960</b>	<b>57,960</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities measured at fair value:</b>				
Other financial liabilities	13,048	-	335	-

Other current liabilities	42,567	-	-	20,516
Other non-current liabilities	29,671	-	-	27,639
<b>Total liabilities</b>	<b>85,286</b>	<b>-</b>	<b>335</b>	<b>48,155</b>

For the financial liabilities measured at fair value under Level 2 (variable-fixed rate swap agreement and forward exchange hedging agreement mentioned in Note 20), valuations are based on the forward rates on all the maturities by an independent cash organization.

Other current and non-current liabilities include the fair value of puts calculated based on operational results in relation to the minority shareholders in Pix4D, senseFly and Airinov.

<b>At December 31, 2014 (€K)</b>	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Financial assets measured at fair value:</b>				
Other current financial assets	19,380	19,380	-	-
Cash and cash equivalents	70,338	70,338	-	-
<b>Total assets</b>	<b>89,717</b>	<b>89,717</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities measured at fair value:</b>				
Other financial liabilities	12,305	-	-	-
Financial derivatives	192	-	192	-
Other current liabilities	19,977	-	-	-
Other non-current liabilities	645	645	-	-
Other non-current liabilities (Level 3)	20,974	-	-	20,974
<b>Total liabilities</b>	<b>54,092</b>	<b>645</b>	<b>192</b>	<b>20,974</b>

## NOTE 22 – Related parties and executive compensation

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

<b>(€K)</b>	<b>Sept 30, 2015</b>	<b>Sept 30, 2014</b>
Fixed compensation	1,443	1,533
Variable compensation	1,005	679
Short term benefits	2,448	2,212
Post-employment benefits	-	-
Share based payments	559	220
<b>Total</b>	<b>3,007</b>	<b>2,432</b>

No significant operations were carried out during the period with:

- Shareholders with significant voting rights in the Company's capital,
- Members of the executive management bodies, including directors and observers,
- Entities over which one of the main executives exercises control, joint control or a significant influence or holds a significant number of voting rights.

## NOTE 23 - Off-balance sheet commitments

An American-law guarantee (supersedeas bond) was registered on July 1, 2015 with the Clerk's Office for the Federal Court of the Western District of Pennsylvania under number 82156102 for a principal total of USD 11 million, dated June 29, 2015, guaranteeing the appeal lodged by the Borrower in the Drone Technologies litigation proceedings.

A joint and several guarantee was set up for 160,000 euros on May 18, 2015 with the company THISO, guaranteeing rental commitments for EOS Innovation.

An agreement was signed on July 24, 2015 between Parrot and the banks involved in the syndicated credit facility for external growth mentioned in Note 21 to pledge financial securities as collateral for 35.5 million euros.

The Group's other off-balance sheet commitments at September 30, 2015 are consistent with those indicated in the notes at December 31, 2014.

#### **NOTE 24 – Post-balance sheet events**

On October 9, 2015, Parrot SA acquired a further interest in the US company Micasense for 6,591,000 euros, increasing its interest in this entity's capital to 56.3%.

To finance its acquisition, the company drew down a further 6.5 million euros from the external growth credit line at the end of October 2015.



**14.2. Statutory auditors' report on their limited review of the condensed consolidated interim financial statements**

Statutory auditors' report on their limited review of the condensed consolidated interim financial statements

<b>KPMG Audit IS</b> Tour EQHO 2, avenue Gambetta CS 60055 92066 Paris-La Défense Cedex, France S.A.S. with capital of €200,000 Statutory Auditor Member of the Compagnie Régionale de Versailles	<b>ERNST &amp; YOUNG et Autres</b> 1/2, place des Saisons 92400 Courbevoie - Paris-La Défense 1, France S.A.S. with variable capital Statutory Auditor Member of the Compagnie Régionale de Versailles
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To the Chairman and Chief Executive Officer,

In our capacity as statutory auditors for Parrot and in response to your request in connection with the capital operation carried out by Parrot in November 2015, we have conducted a limited review of the condensed consolidated interim financial statements for the period from January 1 to September 30, 2015, as appended to this report (the “Financial Information”).

This Financial Information has been prepared under the responsibility of your Board of Directors. Our responsibility is to express an opinion on this Financial Information based on our limited review.

We conducted our limited review in accordance with the industry standards applicable in France. A limited review primarily involves holding discussions with the members of the management team in charge of accounting and financial aspects, and applying analytical procedures. Such a review is less comprehensive than the investigations required for a full audit under French industry standards. As such, the assurances obtained through a limited review that the Financial Information in general is free from any material anomalies represent moderated assurances, lesser than those obtained with a full audit.

On the basis of our limited review, we have not identified any material anomalies likely to call into question the compliance of the Financial Information with IAS 34, applicable under IFRS as adopted within the European Union for interim financial reporting.

This report is governed by French law. Any disputes, complaints or differences that may arise in connection with our letter of engagement or this report, or any related matters, are exclusively subject to French jurisdictions. Each party irrevocably waives its rights to oppose proceedings opened with these courts and to claim that such courts are not competent and do not have jurisdiction.

Paris-La Défense, November 10, 2015

The Statutory Auditors

KPMG Audit IS, Eric Lefebvre

ERNST & YOUNG et Autres, Pierre Jouanne

### **14.3. Dividend policy**

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

On the date of this Update, the Company intends to use its operating cash flow to finance its business over the short and medium term. The Company does not intend to pay out dividends to its shareholders in the near future.

### **14.4. Arbitration and 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. and Parrot, Inc. (defendants)***

The Company and its American subsidiary Parrot, Inc. are currently 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 Parrot's Retail Drones. This litigation exclusively concerns claims for damages made in US jurisdictions, while no claims have been submitted in connection with this dispute to forbid the Group's products from being sold in the US.

In the discovery proceedings, the Company decided to not disclose the confidential source code for the application in question as it considered 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., in a ruling on June 12, 2015, to pay the aforementioned sums, and, in a ruling on 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. successfully 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 only recorded provisions in its consolidated accounts at September 30, 2015 for the best estimate of the costs of these proceedings, i.e. 0.4 million euros.

#### ***AeroVironment, Inc. (plaintiff) – MicaSense, Inc. and its three founders (defendants)***

In March 2015, MicaSense, Inc. (Group subsidiary) 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 (i.e. \$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 S.A. (plaintiff) – e.solutions (defendant)***

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 euros. 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.

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

The Group has not seen any significant changes in its commercial or financial position since May 1, 2015 other than the elements presented in this Update, and in particular:

- The distribution agreements signed with Target and AT&T in the US (see Section 4.4 of this Update);
- The hive-down of the “OEM Automotive” and “Drones/Connected Devices” business lines (see Section V of this Update);
- The elements reflected in the Group's consolidated accounts at September 30, 2015 (see Sections II, VI and XII of this Update);
- The acquisition or strengthening of the Group's interests in MicaSense, Inc., Airinov, EOS Innovation and Iconem.

## **XV. Additional information**

### **15.1. Share capital**

#### **15.1.1. Amount of the share capital**

As of October 31, 2015, the share capital of the Company amounts to 12,533,774 fully paid-up ordinary shares, all of the same category, with a par value of 0.1524 euros, representing a total of 1,913,839 euros.

#### **15.1.2. Non-capital securities**

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

#### **15.1.3. Shares bought back over the year**

##### **15.1.3.1. 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 buys back treasury shares in connection with a liquidity agreement on the one hand and allocations of shares to Group employees on the other.

The Company entered into a first liquidity agreement with Natixis on July 31, 2008, in accordance with the AFEI compliance charter, approved by the French securities regulator (AMF), for a one-year period, tacitly renewable subject to the renewal of the authorization given to the Board of directors to implement a share buyback program by the aforementioned General meeting.

Since the ordinary General meeting on June 30, 2015 renewed the authorization for the Board of directors to implement a share purchase program, the Board of directors acknowledged during its meeting on June 30, 2015 this contract's tacit renewal as from July 31, 2015 for a 1 year period expiring July 31, 2016.

As authorized by the General meeting on June 30, 2015, the maximum purchase price for shares has been set at 82 euros. Acquisitions made by the Company under these authorizations may not result in the Company directly or indirectly holding more than 10% of the shares comprising its capital.

The shares bought back may be used with a view to:

- continuing to implement the liquidity agreement;
- awarding stock options and/or bonus shares;
- being submitted in exchange for payment in connection with external growth operations;
- reducing the Company's capital.

##### **15.1.3.2. Liquidity agreement in connection with the share buyback programs**

The means made available to Natixis Securities so that it can perform its market making activity have been set at a maximum of 650,000 euros, with the maximum unit price for purchases not to exceed 82 euros.

Since January 1<sup>st</sup>, 2015 and until October 31, 2015, under the liquidity agreement:

- Number of shares bought and sold:
  - 238,098 shares bought;
  - 236,561 shares sold.
- Average price for purchases and sales:
  - Average price for purchases: 30.93 euros;
  - Average price for sales: 30.26 euros.
- Number and value of the of shares registered in the Company's name at October 31, 2015:
  - 8,486 shares registered;
  - Value based on the purchase price: 344,630 euros;
  - Average purchase price: 40.61 euros;
  - Reasons for acquisitions made: market making or liquidity of the Company's share;

- Percentage of the capital they represent: not significant.
- Resources available for the liquidity account at October 31, 2015:
  - 650 €K
- Amount of trading fees for Natixis:
  - Annual flat rate: 30

### 15.1.3.3. Treasury share buybacks in connection with the share buyback programs

#### ► Share buyback program implemented in 2015

No other buyback were implemented besides the one described in connection with the liquidity agreement.

### 15.1.4. Authorized capital not issued

The following table summarizes the valid delegations granted to the Board of directors by General shareholders' meetings, as well as the uses made of them during 2015.

#### ■ Ordinary General meeting on June 30, 2015

Delegation given to the Board of directors	Term of the delegation	Maximum nominal amount of capital increase	Use made in 2015
1 - Authorization given to the Board of directors to implement a program to acquire the Company's shares in connection with European Commission Regulation 2273/2003 of December 22, 2003 and Article L. 225-209 of the French commercial code, term of authorization, rationale, conditions and maximum limits.	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 of directors	Term of the delegation	Maximum nominal amount of capital increase	Use made in 2015
1 - Authorization given to the Board of directors 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 of directors	Term of the delegation	Maximum nominal amount of capital increase	Use made in 2015
1 - Authorization for the Board of directors to grant Company stock options and/or warrants to employees and/or to certain corporate officers of the Company or related companies, waiving of their preferential subscription rights by shareholders, term of authorization, maximum limits, exercise price and maximum option period.	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 of	From Nov 6, 2015	2% of the capital (at	

directors to freely award shares to employees and/or certain corporate officers of the Company or related companies, waiving of their preferential subscription rights by shareholders, term of authorization, maximum limits, vesting and lock-in periods.	to the end of the General meeting ruling on the financial statements for the year ending Dec 31, 2016	Nov 6, 2015)	NA
3 - Delegation of authority for the Board of directors to issue ordinary Company shares and/or capital securities entitling holders to access other capital securities or the awarding of debt securities and/or marketable securities entitling holders to access capital securities to be issued, with preferential subscription rights maintained for shareholders, term of the delegation, maximum nominal amount of the capital increase.	26 months from Nov 6, 2015, i.e. through to Jan 6, 2018	€3,810,000	NA
4 - Delegation of authority for the Board of directors to issue ordinary Company shares and/or capital securities entitling holders to access other capital securities or the awarding of debt securities and/or marketable securities entitling holders to access capital securities to be issued, with preferential subscription rights waived for shareholders in connection with a public offering, term of the delegation, maximum nominal amount of the capital increase.	26 months from Nov 6, 2015, i.e. through to Jan 6, 2018	€750,000	NA
5 - Delegation of authority for the Board of directors to issue ordinary shares and/or capital securities entitling holders to access other capital securities or the awarding of debt securities and/or marketable securities entitling holders to access capital securities to be issued, with preferential subscription rights waived, in connection with an offer covered by Section II of Article L.411-2 of the French monetary and financial code ( <i>Code monétaire et financier</i> ), 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 of directors, in the event of a capital increase with preferential subscription rights waived or maintained for shareholders, to increase the number of securities to be issued, term of the authorization, limits concerning the authorization.	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	26 months from	€750,000	NA

Board of directors to issue ordinary Company shares and/or capital securities entitling holders to access other capital securities or the awarding of debt securities and/or marketable securities entitling holders to access capital securities to be issued, with preferential subscription rights waived, in the event of a public exchange offer initiated by the Company, term of the delegation, maximum nominal amount of the capital increase.

Nov 6, 2015, i.e. through to Jan 6, 2018

8 - Delegation of authority for the Board of directors to issue ordinary Company shares in return for contributions in kind made to the Company and comprising capital securities or marketable securities with an equity component, term of authorization, maximum nominal amount of the capital increase.

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 of directors to increase the Company's capital through the incorporation of reserves, profits or premiums, term of the delegation, maximum nominal amount of the capital increase.

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: 3,810,000 euros.

## 15.2. Bylaws

The General shareholders' meeting on June 30, 2015, in its sixteenth resolution, amended Paragraph 3) of the "Access to general meetings – proxies" section of article 20 of the Company's bylaws, which now reads as follows: *"The right to take part in general meetings is subject to securities being registered in the name of the shareholder or their intermediary by midnight (Paris time) on the second working day prior to the meeting, either in the registered securities accounts held by the Company, or in the bearer securities accounts held by an authorized intermediary, as justified in accordance with the regulations in force"*.

The rest of article 20 of the Company's bylaws remains unchanged (refer to Section 21.2 of the Reference Document).

As a result, the "Access to general meetings – proxies" section of article 20 of the Company's bylaws will now read as follows:

### Access to general meetings – proxies:

1) The general meeting comprises all the shareholders, irrespective of the number of shares held, provided that they have been fully paid-up. All shareholders are entitled to attend general meetings and take part in deliberations, either personally or through a proxy, irrespective of the number of shares held, upon justification of their status.

2) If shareholders are unable to attend general meetings in person, they may choose one of the following three options:

- Be represented by another shareholder or their spouse, or by any other individual or legal entity of their choice; notice of the appointment and dismissal of representatives may be given electronically;

- Vote by correspondence using a paper or electronic form, in accordance with regulatory requirements, which may be obtained under the conditions indicated in the notice to attend for the meeting; paper correspondence voting forms will only be taken into consideration if they reach the Company at least three (3) days before the

meeting date; electronic correspondence voting forms may be received by the Company up until 3 pm (Paris time) on the day before the general meeting;

- Send a proxy form to the Company without indicating any representative; the chairman of the general meeting will vote in favor of adopting the proposed resolutions put forward or approved by the Board of Directors, and will vote against adopting any other proposed resolutions; to vote in any other way, shareholders will need to select a proxy, who agrees to vote as indicated by the shareholders in question.

Holders of securities referred to in Paragraph 7 of Article L. 228-1 of the French commercial code may be represented by a registered intermediary under the terms and conditions required by French law.

3) The right to take part in general meetings is subject to securities being registered in the name of the shareholder or their intermediary by midnight (Paris time) on the second working day before the meeting, either in the registered securities accounts held by the Company, or in the bearer securities accounts held by an authorized intermediary, as justified in accordance with the regulations in force.

Under this condition, all shareholders are entitled to take part in meetings, irrespective of the number of shares held, either in person, using videoconferencing facilities or any other electronic means of communication applicable under the laws and regulations in force, as mentioned in the notice to attend, by returning a correspondence voting form or appointing a proxy.

The Board of Directors may shorten or cancel the timeframes set out above.

The Board of Directors may, if it deems it relevant, provide shareholders with personal admission cards in their names and require them to produce these cards.



## XVI. Information published during the past 12 months

### 16.1. Regular and one-off disclosures

Date	Title
11/14/2015	2014 third-quarter earnings
01/05/2015	CES 2015
01/26/2015	FELIN project, launched by 10 French SMEs and ETI receive aid of € 23 million from the Future Investment Program , operated by Bpifrance
01/27/2015	Initial earnings guidance for 2014 and strategy for 2015
03/02/2015	2014 full-year and fourth-quarter earnings
03/10/2015	Inmarsat takes off with BGAN-powered Bebop drone from Parrot at CABSAT
03/11/2015	Cancellation of treasury stock - Resumption of share buyback program
03/31/2015	Parrot confirms its eligibility for PEA-PME
04/07/2015	Clarification on handsfree kit prohibition
04/13/2015	Parrot : A Premium German car maker selects Parrot for its new Rear Seat Entertainment (en anglais)
04/27/2015	Parrot Inc. sets up in San Francisco
05/04/2015	Legal proceedings in the United States
05/13/2015	2015 first-quarter earnings
05/18/2015	Parrot's Bebop Drone achieves French civil aviation authority approval for professional use
06/12/2015	A new generation of connected robots coming late July!
06/15/2015	Parrot further expands its civil drone business
07/01/2015	Summary of the Combined General Shareholders Meeting of June 30th, 2015
07/30/2015	2015 second-quarter earnings
08/06/2015	2015 Half-year financial report
09/04/2015	Parrot Zik 3: Everything a headset should offer
10/02/2015	Drone developments ramping up
10/23/2015	'Flight Plan' app for Bebop Drone

The regular and permanent press releases above, as well as the earnings presentations, are available at: [www.parrot.com/fr/societeparrot/relationinvestisseurs](http://www.parrot.com/fr/societeparrot/relationinvestisseurs).

### 16.2. Information published in the French official gazette (BALO)

Date	Title	BALO notice number
05/22/2015	Meeting notice serving as an invitation to attend the general meeting for shareholders and unit holders one June 30, 2015	1502303
06/12/2015	Meeting notice to attend the general meeting for shareholders and unit holders on June 30, 2015	1503033
07/31/2015	Approval of the corporate and consolidated financial statements for the year ended December 31, 2014	1504105
10/02/2015	Meeting notice of the extraordinary general meeting of November 6, 2015	1504668
10/16/2015	Convening notice of the extraordinary general meeting of November 6,	1504734

	2015	
11/11/2015	Notice to stock options holders	1505120

The BALO's publications are available on the following website: <http://www.journal-officiel.gouv.fr/balo/>.