
2020 FINANCIAL INFORMATION CONCERNING THE ASSETS, LIABILITIES, FINANCIAL POSITION AND EARNINGS OF PARROT

1. Historical financial information

1.1. Audited historical financial information

The audited historical financial information for the last two financial years is incorporated by reference in this Universal Registration Document and presented respectively in:

- The consolidated and annual financial statements for the year ended December 31, 2019 and the corresponding statutory auditors' reports presented on pages 169 to 180 of the Universal Registration Document filed with the AMF on April 30, 2020 under number D.20-0433.
- The consolidated and annual financial statements for the year ended December 31, 2018 and the corresponding statutory auditors' reports presented on pages 132 to 206 of Parrot's Registration Document filed with the AMF on April 30, 2019 under number D.19-0459.

1.2. Change of accounting reference date

NA.

1.3. Accounting standards

International Financial Reporting Standards (IFRS) are applied (see 1.5.5.3. "Note 3 – Accounting methods and rules").

1.4. Change of accounting framework

NA.

1.5. Parrot Group balance sheet, income statement, change in shareholders' equity, cash flow, accounting methods and notes

This section, reserved for companies preparing financial statements under national accounting standards, does not apply to the Parrot Group, which prepares its accounts under International Financial Reporting Standards (IFRS). The Group's financial statements are presented hereafter. Parrot SA's financial statements are presented in section 1.2. hereafter.

1.5.1. Parrot Group consolidated financial statements

1.5.1.1. Consolidated income statement

€'000	Note	Dec 31, 20	Dec 31, 19
Revenues	6	57,270	76,058
Cost of sales		(17,044)	(27,599)
Gross margin		40,227	48,459
<i>Gross margin as % of revenues</i>		70.2%	63.7%
Research and development costs		(40,224)	(35,224)
<i>% of revenues</i>		-70.2%	-46.3%
Sales and marketing costs		(16,264)	(21,670)
<i>% of revenues</i>		-28.4%	-28.5%
Overheads		(13,628)	(13,443)
<i>% of revenues</i>		-23.8%	-17.7%
Production and quality		(6,130)	(6,558)
<i>% of revenues</i>		-10.7%	-8.6%
Income from ordinary operations		(36,019)	(28,437)
<i>Income from ordinary operations as % of revenues</i>		-62.9%	-37.4%
Other operating income and expenses	8	453	1,047
EBIT		(35,567)	(27,389)
<i>EBIT as % of revenues</i>		-62.1%	-36.0%
Income from cash and cash equivalents	9	13	16
Gross finance costs	9	(257)	(339)
Net finance costs	9	(245)	(323)
Other financial income and expenses	9	(1,990)	(784)
Financial income and expenses		(2,234)	(1,107)
Share in income from associates	17	(384)	(630)
Tax	10	(257)	(423)
Net income		(38,442)	(29,550)
Group share		(38,381)	(29,549)
<i>Net income (Group share) as % of revenues</i>		-67.0%	-38.9%
Non-controlling interests		(61)	(1)
Weighted average number of ordinary shares		30,174,981	30,174,681
Basic net income per share (€)	27	-1.26	-0.98
Weighted average number of ordinary shares (diluted)		30,174,981	30,174,681
Diluted net income per share (€)	27	-1.26	-0.98

1.5.1.2. Comprehensive income statement

€'000		Dec 31, 20	Dec 31, 19
Net income for the period	(38,442)		(29,550)
Exchange gains or losses	(1,579)		729
Change in value of derivative hedging instruments	-		-
Change in actuarial gains or losses concerning employee benefits	14		26
Tax	-		-
Other comprehensive income	(1,565)		755
- Subsequently non-recyclable to net income	14		26
- Subsequently recyclable to net income	(1,579)		729
Comprehensive income for the period	(40,007)		(28,795)
Group share	(39,951)		(28,816)
Non-controlling interests	(56)		21

1.5.2. Statement of financial position

Assets (€'000)	Note	Dec 31, 20	Dec 31, 19
Non-current assets		21,009	20,910
Goodwill	11	(0)	(0)
Other intangible assets	12	418	361
Property, plant and equipment	14	2,285	2,207
Right of use	15	5,934	6,622
Investments in associates	17	4,967	5,564
Financial assets	16	6,475	4,371
Non-current lease receivables	15	718	1,570
Deferred tax assets		213	216
Current assets		124,410	168,168
Inventories	19	10,173	13,315
Trade receivables	20	5,994	10,304
Tax receivables	22	7,644	6,024
Other receivables	21	9,147	11,158
Current lease receivables	15	745	749
Cash and cash equivalents	23	87,992	126,618
Assets held for sale	24	2,716	-
Total assets		145,419	189,078

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Shareholders' equity and liabilities (€'000)	Note	Dec 31, 20	Dec 31, 19
Shareholders' equity		99,660	139,239
Share capital	25	4,599	4,599
Additional paid-in capital		331,690	331,678
Reserves excluding earnings for the period		(203,975)	(174,316)
Earnings for the period - Group share		(38,381)	(29,549)
Exchange gains or losses		5,245	6,288
Equity attributable to Parrot SA shareholders		99,177	138,700
Non-controlling interests	28	483	539
Non-current liabilities		10,616	10,949
Non-current financial liabilities	26	1,762	1,511
Non-current lease liabilities	15	4,099	5,725
Provisions for pensions and other employee benefits	29	1,251	871
Deferred tax liabilities	18	27	44
Other non-current provisions	30	111	149
Other non-current liabilities	32	3,365	2,649
Current liabilities		35,143	38,891
Current financial liabilities	26	729	-
Current lease liabilities	15	3,474	3,427
Current provisions	31	3,853	5,189
Trade payables	32	11,930	16,258
Current tax liabilities	32	109	46
Other current liabilities	32	13,494	13,971
Liabilities held for sale		1,554	-
Total shareholders' equity and liabilities		145,419	189,078

1.5.3.

Consolidated cash-flow statement

€'000	Dec 31, 20	Dec 31, 19
Operating cash flow		
Earnings for the period	(38,442)	(29,550)
Net income attributable to owners of the parent	(38,381)	(29,549)
Non-controlling interests	(61)	(1)
Share in income from associates	384	630
Depreciation and amortization	3,732	(7,388)
Capital gains and losses on disposals	285	1,046
Tax expense	257	423
Cost of share-based payments	1,125	1,459
Net finance costs	245	323
Cash flow from operations before net finance costs and tax	(32,414)	(33,057)
Change in working capital requirements	2,518	4,021
Tax paid	(192)	(474)
Cash flow from operating activities (A)	(30,088)	(29,510)
Investing cash flow		
Acquisition of property, plant and equipment and intangible assets	(2,075)	(1,370)
Acquisition of subsidiaries, net of cash acquired	-	(990)
Acquisition of financial assets	(2,285)	(522)
Disposal of property, plant and equipment and intangible assets	120	147
Disposal of subsidiaries, net of cash divested	(391)	-
Disposal of investments in associates	-	-
Disposal of financial assets	847	939
Cash flow from investment activities (B)	(3,785)	(1,795)
Financing cash flow		
Equity contributions	11	0
Receipts linked to new loans	1,682	0
Cash invested for over 3 months	-	18
Net finance costs	(245)	(323)
Repayment of short-term financial debt (net)	(4,242)	(3,997)
Disposal / (Acquisition) of treasury stock	-	24
Cash flow from financing activities (C)	(2,794)	(4,278)
NET CHANGE IN CASH (D = A+B+C)	(36,667)	(35,583)
Impact of change in exchange rates	(1,142)	744
Impact of changes in accounting principles (IFRS 5 reclassification)	(818)	-
CASH AND CASH EQUIVALENTS AT YEAR-START	126,618	161,457
CASH AND CASH EQUIVALENTS AT YEAR-END	87,992	126,618

1.5.3.1. Change in working capital requirements

The following table details the changes in working capital requirements presented in the cash-flow statement at December 31, 2020. The significant items are then reconciled individually in the following notes / transition tables.

Details of the change in working capital requirements, based on the cash-flow statement, are presented below:

€'000	Dec 31, 20
Change in working capital requirements	2,518
Impact of the change in inventories and work-in-progress (A)	2,157
Impact of the change in trade and other receivables (B)	5,860
Impact of the change in trade and other payables (C)	(3,873)
Tax receivables and payables (D)	(1,626)

(a) The change in inventories and work-in-progress is presented directly (see "Note 19– Inventories").

(b) The change in trade and other receivables is presented below.

€'000	Dec 31, 19	Change	Dec 31, 20
Trade receivables	12,108	(4,919)	7,189
Impairment of trade receivables	(1,805)	609	(1,195)
Total trade receivables (E)	10,304	(4,310)	5,994
€'000	Dec 31, 19	Change	Dec 31, 20
VAT receivables	6,580	(742)	5,838
Prepaid expenses	1,547	(519)	1,028
Sundry debtors	2,266	(1,067)	1,200
Current lease receivables	749	(4)	745
Advances and deposits paid	752	260	1,012
Social security receivables	13	56	69
Total other receivables (F)	11,907	(2,015)	9,892

The reconciliation of working capital requirements for trade and other receivables is presented below.

€'000	Change
Impact of the change in trade and other receivables from the cash-flow statement	5,860
Total trade receivables	(4,310)
Total other receivables	(2,015)
Reconciliation of working capital requirements (B + E + F)	(465)

The -0.5 M€ spread between the change in trade and other receivables and the change in working capital requirements is linked primarily to exchange gains or losses for -0.3 M€, IFRS 5 reclassifications for -0.3 M€ and reclassifications from the corporate accounts for +0.2 M€

(c) The change in trade and other payables is presented below (see "Note 32 - Trade payables, current tax liabilities and other current and non-current liabilities" for the items excluding working capital requirements):

€'000	Dec 31, 19	Change	Dec 31, 20
Trade payables	16,258	(4,327)	11,930
Total trade payables (G)	16,258	(4,327)	11,930
€'000	Dec 31, 19	Change	Dec 31, 20
Credit notes to be issued	1,055	(605)	450
Tax and social security liabilities	9,043	757	9,800
Advances and deposits received on orders	1,051	450	1,501
Other liabilities	2,822	(1,080)	1,742
Total other liabilities (H)	13,971	(477)	13,494

The reconciliation of working capital requirements for trade and other payables is presented below.

€'000	Change
Impact of the change in trade and other payables	(3,873)
Total trade payables	(4,327)
Total other liabilities	(477)
Reconciliation of working capital requirements (C - G - H)	931

The 0.9 M€ spread between the change in trade and other payables and the change in working capital requirements is linked to exchange gains and losses for 0.5 M€ and IFRS 5 reclassifications for 0.4 M€.

(d) The (1.6) M€ change corresponds to the reclassification of the tax paid over the period.

1.5.4. Change in consolidated shareholders' equity

€'000	Share capital	Additional paid-in capital	Exchange gains or losses	Treasury stock	Group consolidated reserves	Total shareholders' equity	Minority interests	Total
Position at end-December 2018	4,599	331,678	5,862	(7,868)	(169,760)	164,512	(1,643)	162,870
Net income for the period	-	-	-	-	(29,550)	(29,550)	(1)	(29,550)
Other comprehensive income	-	-	707	-	26	732	22	755
Comprehensive income	-	-	707	-	(29,524)	(28,818)	21	(28,795)
Cancellation of treasury stock	-	-	-	3,190	(3,166)	24	-	24
Share-based payments	-	-	-	-	1,612	1,612	-	1,612
Securities buyback options	-	-	-	-	3,852	3,852	-	3,852
Recycling of exchange gains or losses	-	-	(281)	-	281	-	-	-
Change in % MicaSense interests	-	-	-	-	(2,069)	(2,069)	2,159	90
IFRS 16	-	-	-	-	(298)	(298)	1	(297)
Other	-	-	-	-	(114)	(114)	-	(114)
Position at end-December 2019	4,599	331,678	6,288	(4,678)	(199,187)	138,700	539	139,239
Net income for the period	-	-	-	-	(38,381)	(38,381)	(61)	(38,442)
Other comprehensive income	-	-	(1,583)	-	14	(1,569)	5	(1,565)
Comprehensive income	-	-	(1,583)	-	(38,367)	(39,951)	(56)	(40,007)
Cancellation of treasury stock	-	-	-	2,628	(2,628)	-	-	-
Share-based payments	-	-	-	-	702	702	-	702
Securities buyback options	-	-	-	-	(287)	(287)	-	(287)
Recycling of exchange gains or losses	-	-	541	-	(541)	-	-	-
Increase in the consolidating company's capital	-	11	-	-	-	11	-	11
IFRS 16	-	-	-	-	1	1	-	1
Other	-	-	(1)	-	1	(0)	-	(0)
Position at end-December 2020	4,599	331,689	5,245	(2,050)	(240,306)	99,177	482	99,660

► Buyout of MicaSense's minority shareholders

In September 2019, the Parrot Group acquired 17.36% of the shares held by MicaSense employees, increasing its interest from 81.64% to 99.00%. This transaction between shareholders had a (2,069) K€ impact on the equity attributable to Parrot SA shareholders. The cost of the securities (1,402 K€) is in addition to a capital increase for 371 K€, the exercising of stock options for 288 K€ and the settlement of a put for 833 K€; they represent the corresponding entry for the equity transfer (2,160) K€.

On January 27, 2021, MicaSense was sold. These elements are presented in Note 39 - Post-balance sheet events.

1.5.5. Notes

1.5.5.1. Note 1 – The Company

The appended consolidated financial statements present the operations of PARROT SA and its subsidiaries (referred to collectively as “the Group”).

Parrot SA is a French company whose securities are admitted for trading on Compartment C of the regulated market Euronext Paris. Its registered office is located at 174 quai de Jemmapes, 75010 Paris, France.

The financial statements for the year ended December 31, 2020 were approved by the Board of Directors on March 17, 2021. They will be submitted for approval at the General Meeting on June 16, 2021.

The financial statements are presented in thousands of euros. All the financial data are rounded off to the nearest thousand euros.

1.5.5.2. Note 2 – Significant events for the period

► Health and economic crisis linked to the Covid-19 pandemic

The health crisis linked to the Covid-19 pandemic, and its consequences for global economic development, affected the Group's revenues to various degrees (57.3 M€, -24.7% vs. December 31, 2019) which are still difficult to accurately assess. The contraction in sales concerns hardware (-41.4% and -23.4% respectively for Parrot and SenseFly micro-drones, with -25.3% for MicaSense sensors), with client investments expected to be deferred in an uncertain economic environment, or closures of non-essential points of sale. While sales growth was maintained for software solutions (+5.3%), it was no doubt slowed down by the reduced level of drone use against a backdrop of the lockdown and travel restriction measures.

To adapt to the situation, the Group rolled out various optimization measures, including:

- Furlough measures, primarily affecting the teams at Pix4D and SenseFly in Switzerland and Germany for 25% to 30% of their working hours from April, partially maintained through to the end of August and end of December for Pix4D and SenseFly respectively. These measures are based on the economic support arrangements put in place by their respective governments, safeguarding pay for the staff concerned. They made it possible to save 2.3 M€ on staff costs for the year;
- The reduction in commitments for producing consumer products to limit inventory volumes to a level aligned with the market's capacity for selling off products in the context of the health crisis on the one hand, and product lifecycles on the other hand. This scaling back of production concerns 13,000 units, representing an estimated financial risk of 0.9 M€, recognized in provisions for supplier commitments, deducted from the gross margin. Alongside this, a provision for slow turnover was recorded on the consumer products for 1.5 M€;
- The Group took out 1.6 M€ of loans (1.4 M€ of government-backed loans for SenseFly and a 0.2 M€ current financing line for MicaSense). The deferred payroll tax payments (URSSAF), for a total of 1.5 M€, which the Company benefited from in France during the second quarter were paid in the third quarter.

Despite the measures for staff to work from home and the furlough arrangements put in place, the teams remained firmly focused on implementing the roadmap in terms of R&D, as well as commercial operations and development in the Defense and Security sector. In this way:

- Pix4D released new applications focused on inspection work (Pix4Dinspect, Pix4Dcatch) and photogrammetry (Pix4Dsurvey, Pix4Dmatic),
- From September 2020, Parrot Drones launched a new micro-drone, the ANAFI USA, developed and partially funded by the American government's SRR program,
- SenseFly completed preparations for a new range of fixed-wing micro-drones (eBee), presented at the start of 2021.

1.5.5.3. Note 3 – Accounting methods and rules

In accordance with the European regulation of July 19, 2002 concerning international accounting standards (IFRS), the Group's annual consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as published by the IASB and adopted by the European Union. These standards are available on the European Union website at: <https://eur-lex.europa.eu/legal/content/FR/TXT/?uri=CELEX%3A02008R1126-20160101>.

► New standards, amendments to standards, interpretations of compulsory standards and amendments to references to the IFRS conceptual framework within the European Union at December 31, 2020:

- Amendments to IAS 1 and IAS 8: amendment of the definition of “material”

On October 31, 2018, the IASB published amendments to its definition of the term “material” to enable businesses to exercise their judgment more easily in terms of materiality. The amendments clarify the definition of “material” and how to apply it, including in the definition of the clarifications that were indicated up until now elsewhere in IFRS. The changes ensure that the definition of “material” is consistent across all IFRS.

The previous definition was as follows: “Material omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements”.

The new definition is now: “Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity”.

The amendments must be applied for annual periods beginning on or after January 1, 2020.

The Parrot Group is not impacted by these amendments.

- Limited amendments to IFRS 3 “Definition of a business”

On October 22, 2018, the IASB published amendments to clarify the application guide to help stakeholders differentiate between a business and a group of assets when they apply IFRS 3. This distinction is important because a buyer only recognizes goodwill when it acquires a business. The amended definition highlights that a business’ outputs involve providing goods and services to clients, whereas the previous definition focused on yields in the form of dividends, lower costs or other economic benefits for investors and other third parties.

These amendments must be applied for annual periods beginning on or after January 1, 2020.

The Parrot Group is not impacted by these amendments.

- Amendments to IAS 39, IFRS 7 and IFRS 9 in connection with the interest rate benchmark reform

On September 26, 2019, the IASB published amendments to IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement in the context of the interest rate benchmark reform.

These amendments, intended to enable entities to provide useful financial disclosures during the period of uncertainty relating to the IBOR reform, modified certain hedge accounting provisions. In addition, these amendments require entities to provide investors with additional disclosures concerning their hedging relationships which are directly affected by these uncertainties.

The amendments must be applied for annual periods beginning on or after January 1, 2020.

The Parrot Group is not impacted by these amendments.

- Amendment to IFRS 16 COVID-19-Related Rent Concessions:

On May 28, 2020, the IASB published the amendment to IFRS 16 Leases concerning Covid-19-related rent concessions, following the exposure draft “Rent Concessions - Amendment to IFRS 16” published on April 24, 2020, in order to make it easier for tenants to take into account Covid-19-related rent concessions, such as rent holidays or temporary rent reductions.

The amendment was ratified by Regulation (EU) 2020/1434 of October 9, 2020, published in the Official Journal on October 12, 2020. This amendment must be applied for the financial year ended December 31, 2020. This amendment did not have any impact on the accounts for the year ended December 31, 2020.

- IFRIC decision for IFRS 16

In November 2019, the IFRS Foundation decided that when a lease renews automatically at the end of the initial planned period, the term of the lease is the period during which the tenant is reasonably certain to continue with the lease.

► Standards and interpretations that may be applied early by listed European companies

At December 31, 2020, these standards and interpretations may be applied on an optional basis by groups, provided that this concerns:

- standards already approved at European level (a);
- or interpretations not yet adopted concerning standards in force and already approved by Europe, while noting that these interpretations must not result in any contradictions with them (b).

a) New standards and interpretations already adopted by Europe and eligible for early adoption at December 31, 2020: na

b) New standards and interpretations not yet adopted by Europe, but eligible for early adoption at December 31,

2020:

- The IFRS Foundation published amendments to IAS 1 concerning the classification of liabilities as current or non-current. Not applied early for the accounts for the year ended December 31, 2020.

On January 23, 2020, the IASB published narrow-scope amendments to IAS 1 Presentation of Financial Statements to clarify how to classify debt and other liabilities as current or non-current.

The amendments aim to clarify the criteria for classifying a liability as current or non-current. The main changes are as follows

- In paragraph 73 of the standard, replacing the term “discretion” with “right” to harmonize the provisions from this paragraph with those from paragraph 69(d) of the standard;
- In paragraph 69(d) and paragraph 73 of the standard, explicitly indicating that only the rights that existed at the balance sheet date can affect a liability’s classification;
- In paragraph 69(d) of the standard, deleting the term “unconditional” to replace the expression “an unconditional right” with “a right”.

The amendments clarify, not change, existing requirements, and so are not expected to affect companies’ financial statements significantly. However, they could result in companies reclassifying some liabilities from current to non-current, and vice versa; this could affect a company’s loan covenants. To give companies time to prepare for the amendments, the Board has set the effective date at January 2022.

Early application of the amendments is permitted.

- Amendments to references to the conceptual framework in IFRS standards:

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted. However, they have not been applied early and have not had any significant impact on the half-year consolidated accounts for the period ended December 31, 2020.

► New standards, amendments to standards and interpretations of standards published by the IASB, but not yet adopted by the European Union at December 31, 2020 and not available for early adoption at December 30, 2020:

For FY 2020, the Group decided against the early application of any standards, interpretations or amendments. The mandatory standards, interpretations and amendments published after January 1, 2020 that may impact the Group’s accounts are as follows:

- Amendments to IFRS 17 to help businesses to apply the standard;
- Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”;
- Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”;
- Annual Improvements to IFRS Standards 2018–2020;
- Amendments to IFRS 4 “Deferral of effective date of IFRS 9”;
- Amendments to IFRS 3 “Reference to the Conceptual Framework”;
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: “Interest Rate Benchmark Reform—Phase 2”.

1.5.5.3.1. Consolidation methods

The financial statements for the various companies over which Parrot SA has direct or indirect control are fully consolidated. This control exists when Parrot SA has the power to directly or indirectly control the company’s financial and operational policies so as to benefit from its activities.

Parrot SA is considered to have control when it owns more than half of the voting rights in the controlled company. The financial statements for controlled companies are included in the Group’s consolidated financial statements from the date when control has effectively been transferred until the date when it ceases to have control.

The Group’s consolidated companies drew up their financial statements at December 31, 2019 and 2020 in line with the accounting rules and methods applied by the Group. Transactions between consolidated companies and any in-house profits are eliminated.

Associates are entities in which the Company has a significant influence over their financial and operational policies, although without having control over them. Significant influence is presumed to exist when the Group holds between 20% and 50% of an entity’s voting rights. Interests in associates are recognized in line with the equity method and initially recorded at cost. The Group does not control any ad hoc entities.

1.5.5.3.2. Use of estimates

To prepare the financial statements, management is required to make judgments and use estimates and assumptions that have an impact on the amounts of assets and liabilities at the reporting date, as well as on profit and loss items over the period. These estimates factor in economic data which are liable to change over time, and include various random elements. The underlying estimates and assumptions are based on past experience and other factors that are considered to be reasonable on the reporting date. In this way, they serve as a basis for the judgments required in order to determine the book values of assets and liabilities, which may not be obtained directly from other sources. The actual values recorded may be different from the estimated values.

The underlying assumptions and estimates are reexamined on an ongoing basis. The impact of changes in accounting estimates is recorded during the period of the change if it only affects this period or during the period of the change and subsequent periods if they are also affected by this change.

They primarily concern the recognition of deferred tax assets, notably resulting from tax loss carryforwards, the valuation of share-based payments, the liabilities on acquisitions of minority interests, the provisions for commercial returns and margin guarantees, the depreciation of inventories and the current and non-current provisions, as well as the terms of the leases and the discount rates that determine the value of the lease liability.

1.5.5.3.3. Conversion methods

► Transactions denominated in foreign currencies

Transactions in foreign currencies are converted into euros based on the exchange rate in force on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies on the reporting date are converted based on the exchange rate in force on the reporting date. Any exchange rate differences resulting from such transactions are recorded under income or expenses unless they arise from long-term inter-company financing operations that can be considered as capital transactions: in this case, they are recognized through equity under exchange gains or losses.

Non-monetary assets and liabilities denominated in foreign currencies are recorded and kept at the historical rate in force on the transaction date.

► Financial statements denominated in foreign currencies

The Group's consolidated financial statements are presented in euros, the Group's reporting currency.

The assets and liabilities of consolidated companies expressed in foreign currencies are converted into euros based on the exchange rate in force on the reporting date, except for the net position, which is recorded at its historical value. These companies' income and expenses are converted into euros based on the average exchange rate for the period. Any exchange gains or losses resulting from conversions are recognized in other comprehensive income under "conversion reserves".

The conversion rates for the main currencies used within the Group in 2020 and 2019 were as follows:

Closing rate	Dec 31, 20	Dec 31, 19	Average rate	Dec 31, 20	Dec 31, 19
Australian Dollar	0.629	0.625	Australian Dollar	0.604	0.621
Swiss Franc	0.926	0.921	Swiss Franc	0.934	0.9
Yuan	0.125	0.128	Yuan	0.127	0.129
Euro	1	1	Euro	1	1
Pound Sterling	1.112	1.175	Pound Sterling	1.124	1.139
Hong Kong Dollar	0.105	0.114	Hong Kong Dollar	0.113	0.114
Yen	0.008	0.008	Yen	0.008	0.008
US Dollar	0.815	0.89	US Dollar	0.876	0.893

1.5.5.3.4. Income statement

In order to understand the specific characteristics of the Group's business more effectively, it presents an income statement for each function, highlighting the following elements: the cost of sales (costs linked directly to the products sold), research and development costs (the Company does not capitalize research and development costs), sales and marketing costs, overheads and production and quality costs (operating costs for dedicated supply and quality management departments, primarily including wages for the staff concerned). Operating costs for premises (rent, electricity, etc.) are prorated based on the headcounts in the main departments (R&D, production and quality costs, etc.).

With the cost of sales, these four items represent operating expenses, which, deducted from revenues, make it possible to obtain the level of income from ordinary operations, the main performance indicator for the Group's business.

To provide more comprehensive information, these operating expenses are broken down by category in Note 7 "Operating expenses by category" in these notes.

Other non-current operating income and expenses are recorded under EBIT. They include significant income and expenses considered to be non-recurring, such as capital gains or losses on the disposal of consolidated companies or activities, restructuring costs approved by management and communicated externally, costs concerning exceptional disputes, costs relating to business combinations, impairments of assets and goodwill, and the recalculation of the fair value of the interest previously held by the Group in the company acquired through a business combination achieved in stages, considered to be non-recurrent.

The level of net income is then obtained by taking the following items into account:

- Net finance costs, which include interest on financial debt calculated based on the effective interest rate and the interest expense relating to the lease liability recorded under IFRS 16, less income from cash and cash equivalents,
- Other financial income and expenses, which include exchange gains and losses,
- The current and deferred tax expense.

1.5.5.3.5. Earnings per share

In accordance with IAS 33, the information presented is calculated in line with the following principles:

- Basic earnings per share: earnings for the period (Group share) are considered in relation to the weighted average number of ordinary shares outstanding over the period, after deducting treasury stock held during the period. The average number of ordinary shares outstanding represents a weighted annual average, adjusted for the number of ordinary shares redeemed or issued during the period and calculated based on the issue date for shares over the year;
- Diluted earnings per share: earnings for the period (Group share) and the weighted average number of shares outstanding, taken into account for calculating basic earnings per share, are adjusted for the effects of all potentially dilutive ordinary shares: stock options and bonus shares (see Note 25.2 - "Stock option and bonus share plans").

Basic earnings per share and diluted earnings per share are identical when the Group's net income is negative.

1.5.5.3.6. Revenues

The Company works primarily with a network of distributors to market products in many countries and, to a lesser extent, sells products or software to end users through Company-owned online platforms.

Income from the sale of goods or services is recognized in profit or loss when control of the goods has been transferred to the buyer.

Revenues are recognized when products are sold to distributors, which are considered to be end customers under IFRS 15. The transfer of control is characterized by the fact that distributors obtain the right to control the use of the goods and obtain the essential economic benefits from them. When goods are transferred to distributors, Parrot can no longer redirect the goods sold to another distributor for sale to another client (distributor or end customers) or other transactions (marketing operations, donations, tests, etc.).

More specifically:

- Distributors are responsible for the commercial relationship and the quality of the products sold in relation to end customers. Note that Parrot has various obligations in relation to distributors. Parrot guarantees its products against all hidden defects and any non-conformity. If applicable, these obligations are subject to provisions in accordance with IAS 37,
- Distributors are responsible for clearing stocks of products with end users by defining, setting up and financing marketing actions and determining offers, within which the price is a component,
- Distributors take on the risks relating to ownership of inventory, such as material damage or obsolescence,
- Distributors manage the risk of non-payment.

No income is recorded when there is a significant level of uncertainty surrounding the collectability of the counterparty due, the costs incurred or to be incurred in relation to the sale or the possible return of goods in the event of the right to cancel purchases.

The commercial return risk is specific and limited to the North American continent. This risk is covered by provisions when it arises through a customer return declaration, approved by Parrot.

The risks of returns are recognized specifically in the accounts:

- A provision for deduction against revenues,

- An asset (inventory) for the products that Parrot expects to be returned, and
- A liability for the obligation to reimburse the client or issue a credit note.

To ensure the consistency of sales strategies between distributors, and within the various countries, Parrot recommends pricing levels. However, distributors can determine specific commercial offers, which include the price component. For promotional plans rolled out by distributors and supported by Parrot, Parrot may be required to guarantee a certain level of margin for distributors. A provision is deducted from revenues against credit notes to be issued ("other liabilities").

Revenues generated with distributors are recognized net of any listing or volume-based discounts. Marketing costs, which do not correspond to separate services under IFRS 15 provided by the distributor to Parrot, are presented as a deduction against revenues.

1.5.5.3.7. Leases

The Parrot Group has applied IFRS 16 "Leases" since January 1, 2019.

The leases, as defined by IFRS 16 "Leases", are recorded on the balance sheet, with the recognition of:

- A liability for the payment obligation;
- An asset, which corresponds to the right to use the leased asset for the duration of the lease.

The Group has chosen to use the two exemptions from capitalization available with this standard for the following leases:

- Leases for 12 months or less;
- Leases for assets with an individual new value of less than 5,000 €.

► Valuation of the lease liability

When the lease commences, the lease liability is recognized for an amount equal to the discounted value of the lease charges over the lease's term.

The following amounts are taken into account for lease charges when valuing the liability:

- Fixed lease charges (including in-substance fixed lease payments, i.e. even if their form contains variability, they are in substance unavoidable);
- Variable lease charges based on a rate or index using the rate or index on the lease commencement date;
- Payments to be made by the lessee under residual value guarantees;
- Penalties to be paid if the lessee exercises an option to terminate or not renew the lease, if the lease's term was determined with the assumption that the lessee would exercise it.

The lease term corresponds to the non-cancellable period for each lease unless the Group is reasonably certain to exercise the contractual renewal or cancellation options.

If there is no implicit rate that can be easily determined, the discount rate to be retained is assimilated with the interest rate that the lessee would have to pay to borrow, over a similar term, and with similar security, the funds required to acquire the lease's underlying asset in a similar economic environment.

The incremental borrowing rate is the rate corresponding to the remaining lease term.

The change in the lease liability is as follows:

- It is increased based on the amount of interest expenses determined by applying the discount rate to the liability at the start of the period;
- And decreased by the amount of the payments made.

The interest expense for the period and the variable payments, not taken into account when determining the liability's initial valuation, and incurred during the period concerned are recognized as expenses.

In addition, the liability may be re-estimated in the following situations:

- Revision of the lease term;
- Modification linked to the assessment of whether or not an option is reasonably certain to be exercised;
- Re-estimation of residual value guarantees;
- Revision of the rates or indexes used to determine lease charges when lease payments are adjusted.

► Valuation of right-of-use assets

On the lease commencement date, the right of use is measured at cost and comprises:

- The initial amount of the liability, in addition to, if applicable, the advance payments made to the lessee, net of the benefits received from the lessor, if applicable;
- If applicable, the initial direct costs incurred by the lessee to set up the lease. These are the incremental costs that would not have been incurred if the lease had not been entered into;
- The estimated costs for restoring and dismantling the leased asset under the terms of the lease. On the initial recognition date for the right of use, the lessee adds to these costs the discounted amount of the restoration and/or dismantling costs against a liability or provision for returns.

The right of use is amortized over the useful life of the underlying assets corresponding to the lease's term.

► Case of real estate leases

The Group has analyzed all the real estate leases in view of the criteria defining a lease under IFRS 16.

Based on analyses, the Group has identified leases as defined by the standard for the spaces rented in several worker housing units, as well as leases for buildings that are specific to commercial operations and leases for office buildings.

The lease term corresponds to the non-cancellable period unless the Group is reasonably certain to exercise the renewal or cancellation options. The lease charges taken into account for the calculation exclude property taxes covered by the lessee and exclude VAT (including, if applicable, non-deductible VAT).

The discount rate used to calculate the right of use and the lease liability is the long-term incremental borrowing rate, as determined by the Group on the first application date, i.e. 1.45% for leases with a remaining maturity of <5 years, 1.55% for leases with a remaining maturity of 6 years, and 1.65% for leases with a maturity of over 6 years. This gives 1.45% for the majority of the leases, with two exceptions: one lease with a rate of 1.55% and another with 1.65%. In addition, the leases in USD have a discount rate of 5.80%. These rates have been re-estimated for amendments to agreements or new leases. The following rates have been applied:

- 0.94% for the French subsidiaries (PDRO, PSA);
- 3.25% for the American subsidiary (MicaSense);
- 0.89% for the Hong Kong subsidiary (Parrot Asia Pacific);

The weighted average borrowing rate is 2.22%.

► Case of vehicle leases

The Group's various business units lease vehicles under finance leases or operating leases. The leases have a term of between one and two years in general and are able to be cancelled.

The discount rate applied is 1.45%.

► Case of other types of assets

The other assets concerned correspond to IT equipment.

The Group has leases that are subject to subleases with third parties. As the lessor, the Group classifies its leases as operating leases or finance leases. A sublease is classed as a finance lease if it transfers virtually all of the risks and benefits inherent with the underlying right of use. Otherwise, it is classed as an operating lease. For finance leases, the Group records the amount of the net investment as a financial receivable and derecognizes the right-of-use asset for the related lease. Any difference between the right of use and the net investment in the sublease is recognized in profit or loss. The lease liability for the main lease is kept as a liability. A lease is classed as an operating lease if the classification criteria (presented above) are not met. For operating leases, the lease counterparty is recorded under income on a straight-line basis over the term of the lease. The Group has three subleases that have been classed as finance leases. The difference between the right of use and the net investment in these leases was recognized in equity at the start of the reporting period.

1.5.5.3.8. Net finance costs

Net finance costs include interest to be paid on loans (calculated using the effective interest rate method) and interest expenses determined by applying the discount rate to the lease liability recorded under IFRS 16, less interest to be received on investments and income from other dividends.

Interest-related income is recognized in profit or loss when acquired under the effective interest rate method.

1.5.5.3.9. Corporate income tax

Corporate income tax (expense or income) comprises the tax expense (income) due and any deferred tax expenses (income). Tax is recognized in profit or loss except when it relates to items that are recognized directly in equity, in which case it is booked against shareholders' equity.

The tax due is (i) the estimated amount of tax due relative to taxable profit for a given period, determined based on tax rates that have been adopted or virtually adopted on the reporting date, and (ii) any adjustments to the amount of tax due relative to previous periods.

Deferred tax: see "Note 18 - Deferred tax".

The business value added tax (CVAE) is recorded under corporate income tax.

The research tax credit is booked against research and development costs or capitalized development costs.

1.5.5.3.10. Segment reporting

In accordance with IFRS 8, the information is based on the internal reporting system used by the Chief Operating Decision Maker, Henri Seydoux, the Group's Chairman and CEO, to decide on the allocation of resources and assess the performance of the operating segments.

Since the first quarter of 2017, the Group has reorganized its activities and reporting structure around a single operating segment, representative of its cash generating unit (CGU).

The Chief Operating Decision Maker regularly monitors two management indicators: the Group's cash flow and, since the health crisis, revenues.

1.5.5.3.11. Intangible assets

► **Goodwill**

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

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

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

- The acquisition price plus the fair value of minority interests and the fair value of the net assets acquired ("full goodwill" method);
- The acquisition price for the business combination and the acquiring party's share of the fair value of the identifiable net assets acquired ("partial goodwill" method).

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

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

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

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

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

Goodwill is valued at cost, less any aggregate impairments in value. Goodwill is allocated to cash generating units and is not depreciated, but is subject to an impairment test (see "Depreciation of property, plant and equipment and intangible assets"). For associates and joint ventures, recorded in line with the equity method, the book value of goodwill is included in the book value of the interest in the associate or joint venture.

► **Research and development costs**

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

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

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

Capitalized development costs are recorded at cost less aggregate depreciation and potential impairments in value. They are depreciated over their useful life, i.e. from two to eight years.

► Other intangible assets

Fully-owned software, user rights and patents are capitalized and depreciated over their useful life. The useful life range is from 1 to 10 years.

1.5.5.3.12. Property, plant and equipment

Property, plant and equipment are recorded under assets on the balance sheet at their amortized historical cost, less any impairments in value. They are not revalued.

Subsequent expenditure (spending to replace assets and ensure their compliance) is capitalized and depreciated over the remaining useful life for the corresponding fixed asset. Regular upkeep and maintenance costs are booked as expenses when they are incurred.

Depreciation is calculated on a straight-line basis in view of the estimated useful life of the various categories of fixed assets. It is calculated based on the acquisition price less any residual value.

Fixed assets are depreciated based on their useful life as follows:

- Fixtures and fittings: 3 to 10 years
- Technical facilities: 10 years
- Plant and equipment: 2 to 3 years
- Office equipment and IT: 3 years
- Transport equipment: 3 years

The residual values and estimated useful lives are revised at each close of accounts.

Capital gains or losses are the result of differences between the sales price and the net book value of assets sold.

1.5.5.3.13. Depreciation of property, plant and equipment and intangible assets

For reference, Parrot recorded a 41.7 M€ writedown of goodwill at the end of the third quarter of 201. It is no longer relevant to carry out a value test based on the recoverable value of the cash generating unit (CGU) identified: the Drones CGU.

With the application of IFRS 16 since January 1, 2019, rights of use are recorded for leases - primarily real estate leases - as assets on the balance sheet. These rights are revalued once a year to update the resulting intangible asset.

1.5.5.3.14. Deferred tax

Deferred taxes are recognized in profit or loss and on the balance sheet in order to factor in any timing differences between the book values and the tax values of certain assets and liabilities.

Deferred taxes are recorded in line with the asset-liability approach for the accrual method. Deferred taxes are valued factoring in known changes in tax rates (and tax regulations) that have been adopted or virtually adopted on the reporting date. The impact of any changes in the tax rate on deferred taxes recognized previously in profit or loss or in equity is recorded respectively in profit or loss or in equity during the year when such rate changes come into force.

Deferred taxes are recognized respectively in profit or loss or in equity during the year depending on whether they concern items that are themselves recognized in profit or loss or in equity.

Deferred tax assets are recorded once it is likely that taxable profits will be generated, making it possible for any deferred tax assets to be used. The book value of deferred tax assets is reviewed at each reporting date, and may be

reduced if it is no longer likely that sufficient taxable profits will be available to make it possible to use the benefit of all or part of such deferred tax assets. Conversely, such a reduction will be written back if it becomes likely that sufficient taxable profits will be available.

Deferred tax assets and liabilities are offset if and only if subsidiaries are entitled to offset tax assets and liabilities due and when these concern income tax deducted by the same tax authorities and at the same time.

1.5.5.3.15. Inventories

The Parrot Group primarily holds inventories of finished products. The Group differentiates between three categories of finished products, based on their lifecycle: products that are in a sellable condition, products that are at the end of their lives (listings that are no longer produced), and products that are returned or damaged.

In accordance with IAS 2, inventories are valued at the lower of their cost or their net realizable value:

- The cost of inventories is determined in line with the weighted average price method, and comprises the acquisition costs for inventories and the costs incurred for transporting them in the state and to the place where they are located.
- The net realizable value is the estimated net sales price for the subsequent period for each distribution platform (EMEA, Americas, Asia) less the estimated costs required for carrying out the sale.

More specifically, end-of-life products and returned or damaged products are written off in full.

Products that are in a sellable condition are subject to statistical depreciation on a case-by-case basis in line with the slow-moving approach.

1.5.5.3.16. Non-derivative financial instruments

► Trade and other receivables

Trade and other receivables are measured at fair value when initially recognized, then at their amortized cost less the amount of expected losses. A provision for impairment is recognized when there is objective evidence that part of the sums due will not be recovered in accordance with the contractual arrangements, and not on a statistical basis.

Part of the Group's sales are covered by a customer credit insurance policy, which reduces the risk of non-collection.

► Trade payables and related

All such accounts payable are initially recorded at their fair value, and then at their amortized cost. Following their initial recognition, the Parrot Group values all financial liabilities other than those held for trading at their amortized cost.

► Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits, in addition to undertakings for collective investment in transferable securities (UCITS) that are compliant with the definition under IAS 7. Any UCITS that do not comply with the definition of cash and cash equivalents are recorded under other current financial assets.

Bank overdrafts that are repayable on demand and are an integral part of the Group's cash management represent a cash and cash equivalent component for the purposes of the cash-flow statement.

► Cash-flow hedging and rate hedging

The Group has not used financial instruments in connection with its cash management or currency hedging.

► Share buyback commitments

When minority shareholders in a consolidated subsidiary have an option allowing them to call for their securities to be bought back by Parrot, Parrot's commitment is recognized as a liability relating to a supplier of fixed assets on the balance sheet (other non-current liabilities) for an amount equal to the present value of the put option's estimated exercise price. The discount rate retained is the marginal cost of debt for Parrot. The liability is initially recognized through a reduction in consolidated shareholders' equity, first for the amount of minority interests in the subsidiary, then for the balance, through a reduction in shareholders' equity (Group share). The impacts of subsequent changes in the estimation of the exercise price (when it is variable) and the effects of liability accretion are recognized directly in shareholders' equity (Group share).

1.5.5.3.17. Net financial debt

The concept of net financial debt used by the Group corresponds to the aggregate amount of current financial liabilities including bank overdrafts and non-current financial liabilities less other current financial assets, cash and

cash equivalents. This indicator also includes the impact of the IFRS 16 restatement for leases.

1.5.5.3.18. Treasury stock

The Company's securities held by itself or by consolidated entities are deducted from consolidated shareholders' equity based on their acquisition cost. On the other hand, proceeds from sales of treasury stock are allocated directly to shareholders' equity for the impact net of tax. As such, the capital gain or loss recorded in this way does not affect earnings for the year.

1.5.5.3.19. Share-based payments

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

Warrants and bonus shares are valued based on the fair value of the benefits granted to staff on the allocation date. The expense evaluated is recognized in profit or loss under staff costs, over the vesting period for entitlements to options, deducted from shareholders' equity. In connection with the function-based presentation of the income statement, the corresponding staff costs are broken down based on the functions of the employees concerned. The interest rate curve is calculated based on the risk-free euro-swap rates with corresponding maturities (five years) on each allocation date (source: Bloomberg).

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

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

1.5.5.3.20. Employee benefits

► Pension plan

The Group is primarily subject to pension plans with defined contributions.

Defined contribution plans are subject to payments by staff and by Group companies to various organizations authorized to manage such pension funds. The Group's obligations are limited to the payment of such contributions, which are therefore recognized in profit or loss as they are incurred.

The Group is subject to various defined benefit plans, particularly for end-of-career benefits paid to staff.

The Group applies the revised version of IAS 19. Any actuarial gains or losses relating to defined benefit pension plans are recognized in other comprehensive income.

1.5.5.3.21. Provisions

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

► Warranty provisions

A provision is intended to cover future expenses linked to product warranty claims concerning Retail products (Consumer Drones, Car Kits) sold by Parrot. It is calculated statistically based on real company information provided by its various dedicated departments.

In this way, the following elements are calculated for each product category:

- Return rate;
- Exchange rate;
- Unit repair or replacement cost.

► Other provisions

Provisions for supplier commitments: provisions recorded to cover the risk of impairments in the value of products ordered from suppliers based on sales prospects or decisions to discontinue production for certain products.

Provisions for supplier commitments are calculated based on the risks identified and quantified per supplier and per product line.

Provisions for supplier commitments quantify the commitments made by Parrot in relation to subcontractors concerning the following risks:

- Surplus inventory of production components (purchased by the subcontractor on behalf of Parrot),
- Inventory of obsolete production components, with obsolescence occurring in the event of changes to specifications or the obsolescence of the finished products themselves.

► Employment tribunal provisions

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

► Litigation and claims

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

1.5.5.4. Note 4 – Basis for consolidation

The Parrot Group's basis for consolidation comprises 23 companies, with 20 fully consolidated and three consolidated on an equity basis.

The changes in scope during the year were as follows:

- Parrot Japan: company liquidated on December 15, 2019, deconsolidation during the first half of 2020;
- Parrot Air Support: company dissolved on June 3, 2020, with its assets and liabilities transferred to Parrot Drones;
- Chez Parrot: company dissolved on July 9, 2020, with its assets and liabilities transferred to Parrot SA.

► Acquisitions of capital interests with changes in control

NA.

► IFRS 5 Discontinued Operations

Following the start of non-exclusive talks with AgEagle Aerial Systems on November 10, 2020 with a view to selling MicaSense, all of the conditions for the business to be classed as discontinued under IFRS, notably taking into account the highly probable nature of the operation, were satisfied. In accordance with IFRS 5, the corresponding assets and liabilities have been isolated on dedicated lines.

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

The items from the income statement, other comprehensive income and the cash flow statement relating to these discontinued operations have not been subject to this treatment, because MicaSense does not represent a primary and distinct region or business line, as the Parrot Group is made up of a single operating segment.

► List of the fully consolidated companies and the associates consolidated on an equity basis

			Dec 31, 20	Dec 31, 20	Dec 31, 19	Dec 31, 19
Name	Address	Country	% interest	Consolidation method	% interest	Consolidation method
PARENT COMPANY						
Parrot S.A.	174 quai de Jemmapes 75010 Paris	France				
FULLY CONSOLIDATED COMPANIES						
Parrot GmbH.	Maximilianstraße 27 80539 Munich	Germany	100.00%	FC	100.00%	FC
Parrot Anz Ltd Limited	68 72 York Street South Melbourne Victoria 3205	Australia	100.00%	FC	100.00%	FC

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Parrot Trading Shenzhen Ltd (subsidiary of Parrot Asia Pacific Ltd.)	2401, Xinhua Insurance Bdg,171 Mintian Road, FuTian CBD, Futian Qu, Shenzhen Shi, Guangdong Sheng, 518048	China	100.00%	FC	100.00%	FC
Parrot Iberia SL.	Calle Orense 81-7 Madrid 28020	Spain	100.00%	FC	100.00%	FC
Parrot Inc.	10107 Division Drive Raleigh, NC 27603	United States	100.00%	FC	100.00%	FC
MicaSense Inc.	1055 N 38th St. Seattle, WA 98103	United States	99.00%	FC	99.00%	FC
Pix4D Inc. (subsidiary of Pix4D)	150 Post Street, Suite 650 San Francisco, CA 94108	United States	95.00%	FC	95.00%	FC
SenseFly Inc. (subsidiary of Parrot Inc.)	10111 Division Drive Raleigh, NC 27603	United States	100.00%	FC	100.00%	FC
Airinov S.A.S.	174 quai de Jemmapes 75010 Paris	France	99.30%	FC	99.30%	FC
Chez Parrot SARL	30-34 Rue du Quatre Septembre - 75002 Paris	France	0.00%	FC	100.00%	FC
Parrot Drones S.A.S.	174 quai de Jemmapes 75010 Paris	France	100.00%	FC	100.00%	FC
Parrot Air Support	174 quai de Jemmapes 75010 Paris	France	0.00%	FC	100.00%	FC
Parrot Asia Pacific Ltd.	708-9 7-F, Wharf T&T Centre, 7 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong	Hong Kong	100.00%	FC	100.00%	FC
Parrot Italia Srl.	Via Giuseppe Revere 1620123 Milan	Italy	100.00%	FC	100.00%	FC
Parrot UK Ltd	Park View, One Central Boulevard, Blythe Valley Business Park, Solihull B90 8BG, Birmingham	United Kingdom	100.00%	FC	100.00%	FC
SenseFly SA	Route de Genève, 38 1033 Cheseaux-sur-Lausanne	Switzerland	100.00%	FC	100.00%	FC
Pix4D SA	Route de Renens 24, 1008 Prilly	Switzerland	95.00%	FC	95.00%	FC
Pix4D Co (subsidiary of Pix4D)	2-10-5, Shibuya, Shibuya-ku, Tokyo, Japan	Japan	95.00%	FC	95.00%	FC
Pix4D GmbH (subsidiary of Pix4D)	Alte Jakobstraße 85, 86 (Neue GrünstaBe 17, 18) 10179 Berlin	Germany	95.00%	FC	95.00%	FC
Pix4D Shanghai (subsidiary of Pix4D)	Suite 405, 798 Zhaojiabang Lu, Xuhui District, Shanghai 200030, PRC	China	95.00%	FC	95.00%	FC
Pix4D Espagne (subsidiary of Pix4D)	Velazquez, 92 28006 Madrid	Spain	95.00%	FC	95.00%	FC
COMPANIES CONSOLIDATED ON AN EQUITY BASIS						
Iconem	6 rue Jules Chaplain 75006 Paris	France	41.79%	EM	45.00%	EM
Planck Aerosystems Inc	2065 Kurtz St, San Diego CA 92110	United States	47.17%	EM	49.00%	EM
Sky-Hero	Place Willy Devezon 4 boîte 37903 Leuze-en-Hainaut	Belgium	28.6%	EM	28.6%	EM

Parrot UK Limited, registered in the UK under number 05480392, a fully-owned subsidiary of Parrot SA, is exempt from the requirement under the Companies Act 2006 to prepare individual accounts in accordance with Article s479A of the Companies Act 2006.

1.5.5.5. Note 5 – Segment reporting

The Group is organized around a single operating segment.

The activities and investments are managed by the Chief Operating Decision Maker in line with a global group vision, rather than on an entity basis, looking to pool resources and know-how in a context of cost reductions.

► Income statement

€'000	Dec 31, 20	Dec 31, 19
Revenues	57,270	76,058
Income from ordinary operations	(35,775)	(28,437)
% of revenues	-62.5%	-37.4%

► Headcount at year-end

Employees	Total
2020 Group headcount	516
2019 Group headcount	551

These headcount figures include apprenticeship contracts.

► Statement of financial position

As there is a single operating segment, the assets and liabilities represent the entire Parrot Group from January 1, 2017.

1.5.5.6. Note 6 - Analysis of sales

► Analysis of the Group's sales by region

Excluding photogrammetry license sales through a proprietary Group e-commerce platform, the majority of sales for Parrot products are based on a select network of specialist distributors for each region. This organization makes it easier to cover a larger number of countries with the right customer support.

Analysis by key contributors (€'000)	Dec 31, 20	Dec 31, 19
United States	20,697	25,678
France	5,553	9,725
South America	3,188	2,419
Germany	2,570	1,887
Spain	2,518	4,293
United Kingdom	2,538	4,335
Japan	2,400	2,971
Eastern Europe	1,999	2,565
Switzerland	1,717	1,622
Nordic region	1,614	1,417
Top 10	44,793	56,912
Other	12,477	19,147
Total	57,270	76,058

The Group recorded 2.5 M€ of revenues in the UK. At the end of February 2021, and in the context of Brexit, the UK does not apply customs tariffs to drone imports. In terms of currencies, the risk is covered by sales handled in euros with our main customers.

1.5.5.7. Note 7 – Operating expenses by category

€'000	Dec 31, 20	Dec 31, 19
Consumption of raw materials and goods, and outsourcing purchases	(14,366)	(25,531)
Other external expenses	(20,877)	(25,947)

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Staff costs	(52,850)	(56,648)
Tax	(890)	(1,244)
Depreciation and amortization	(3,201)	2,198
Stored production	(1,148)	(3,271)
Other operating income and expenses	287	5,949
Total operating expenses	(93,045)	(104,495)

The 2020 “CIR” research tax credit of 4 M€ (3.7 M€ in 2019) is deducted from operating expenses.

Staff costs can be broken down as follows:

€'000	Dec 31, 20	Dec 31, 19
Salaries and wages	(41,380)	(44,005)
Payroll taxes	(9,909)	(10,716)
Other staff costs	(680)	(468)
Share warrant expenses	(1,125)	(1,459)
Total staff costs	(53,094)	(56,648)

1.5.5.8. Note 8 – Other operating income and expenses

€'000	Dec 31, 20	Dec 31, 19
Disposal of Chez Parrot and Airinov business	(130)	(877)
PSE 2017	(19)	481
2018 restructuring	491	2,848
Write-off of trade receivables and Sky Hero dilution		(547)
Arvato repatriation cost		(243)
Public tender offer		(524)
Other	111	(92)
Other operating income and expenses	453	1,046

At December 31, 2020, other operating income and expenses came to +0.5 M€ and primarily include the following elements:

- Reversal of net restructuring provisions for 0.5 M€ (provisions not consumed);
- -0.1 M€ of costs for shutting down the activities of Airinov and Chez Parrot.

1.5.5.9. Note 9 – Financial income and expenses

€'000	Dec 31, 20	Dec 31, 19
Gross finance costs	(257)	(339)
Income from cash and cash equivalents	13	16
Net finance costs	(245)	(323)
Exchange gains	3,489	1,454
Exchange losses	(5,572)	(2,512)
Other financial income and expenses	94	273
Other financial income and expenses	(1,990)	(784)
Total	(2,234)	(1,107)

1.5.5.10. Note 10 – Tax

► Analysis of the tax expense

€'000	Dec 31, 20	Dec 31, 19
Current tax	(227)	(533)
Deferred tax	(30)	110
Total	(257)	(423)

The current tax expense for 2020 includes the business value added tax (CVAE) for 77 K€.

► Reconciliation between the theoretical tax expense and the effective tax expense

€'000	Dec 31, 20	Dec 31, 19
Earnings for the period	(38,442)	(29,550)
Minority interests	(61)	(1)
Net income from associates	(384)	(630)
Tax expense	257	423

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- of which CVAE	77	132
PRE-TAX EARNINGS	(37,801)	(28,497)
Actual tax rate	-0.68%	-1.48%
Theoretical tax rate of 34.43%	(9,450)	(7,979)
Reconciliation:		
Permanent differences	(41)	47
Goodwill impairment		
Tax rate difference	467	
Non-capitalized tax losses	12,317	10,965
Capitalization of previous loss carryforwards		
Research tax credit	(1,020)	(2,247)
Withholding tax that cannot be allocated		
Other	(2,017)	(363)
ACTUAL TAX EXPENSE	257	423

1.5.5.11. Note 11 – Goodwill

Since December 31, 2018, the Drones CGU goodwill of 42.7 M€ has been written down in full.

1.5.5.12. Note 12 – Intangible assets

► Breakdown of intangible assets at December 31, 2020

€'000	Dec 31, 19	Increase	Decrease	Reclassification IFRS 5	Exchange gains or losses and reclass.	Dec 31, 20
Gross values						
Development costs	15,842	-	-	-	21	15,863
Patents and brands	21,343	411	(9,243)	-	29	12,539
Software	3,144	4	(1,161)	(15)	(7)	1,965
Fixed assets under construction	-	-	-	-	-	-
Other intangible assets	8	-	-	-	0	8
Total	40,337	414	(10,404)	(15)	44	30,375
Depreciation and amortization						
Development costs	(15,840)	-	-	-	(21)	(15,861)
Patents and brands	(21,022)	(417)	9,330	-	(28)	(12,137)
Software	(3,114)	(15)	1,161	7	2	(1,959)
Fixed assets under construction	-	-	-	-	-	-
Other intangible assets	-		-			-
Total	(39,976)	(432)	10,491	7	(48)	(29,957)
Net book values						
Development costs	2	-	-	-	0	2
Patents and brands	321	(6)	87	-	1	402
Software	30	(11)	-	(8)	(5)	6
Fixed assets under construction	-	-	-	-	-	-
Other intangible assets	8	-	-	-	0	8
Total	361	(18)	87	(8)	(4)	418

Depreciation charges are recorded under operating expenses.

During 2020, a review of the intangible assets of Parrot SA and Parrot Drones was carried out, revealing the obsolescence of a certain number of software products, as well as the historical capitalization of licenses that have now been recorded as technologies or costs that have been written off.

With the exception of the previous website (whose net book value was 0.12 M€), the fixed assets concerned were all

fully depreciated and were subject to retirements for a gross value of 10.3 M€ (2 M€ for Parrot SA and 8.3 M€ for Parrot Drones).

Following the retirements, the gross values of the assets decreased by 48% for Parrot SA and 60% for Parrot Drones compared with the opening amounts.

► Breakdown of intangible assets at December 31, 2019

€'000	Dec 31, 18	Increase	Decrease	Exchange gains or losses and reclass.	Dec 31, 19
Gross values					
Development costs	15,877	18	-	(52)	15,842
Patents and brands	21,110	-	(12)	245	21,343
Software	3,061	17	-	66	3,144
Fixed assets under construction	520	-	(678)	159	-
Other intangible assets	8	-	-	0	8
Total	40,575	35	(690)	417	40,337
Depreciation and amortization					
Development costs	(15,779)	(360)	-	299	(15,840)
Patents and brands	(21,022)	(551)	927	(376)	(21,022)
Software	(2,851)	(63)	-	(200)	(3,114)
Fixed assets under construction	-	-	-	-	-
Other intangible assets	0	-	-	-	-
Total	(39,652)	(974)	927	(277)	(39,976)
Net book values					
Development costs	98	(342)	-	247	2
Patents and brands	88	(551)	916	(131)	321
Software	211	(46)	-	(134)	30
Fixed assets under construction	520	-	(678)	159	-
Other intangible assets	8	-	-	0	8
Total	923	(939)	237	140	361

1.5.5.13. Note 13 – Transactions between shareholders

In July 2019, Parrot Drones acquired 17.36% of MicaSense's capital (transaction value of 1.4 M€, including a 0.4 M€ capital increase), taking its interest up to 99%.

1.5.5.14. Note 14 – Property, plant and equipment

► Breakdown of property, plant and equipment at December 31, 2020

€'000	Dec 31, 19	Increase	Decrease	Reclassification IFRS 5	Exchange gains or losses and reclass.	Dec 31, 20
Gross values						
Buildings	1,014	58	-	-	(9)	1,063
Plant and equipment	19,543	1,212	(2)	(51)	(981)	19,721
Other property, plant and equipment	13,372	390	(80)	(196)	(49)	13,438
Total	33,929	1,660	(82)	(247)	(1,039)	34,221
Depreciation and amortization						
Buildings	(419)	(268)	-	-	6	(681)
Plant and equipment	(19,281)	(445)	43	28	916	(18,739)
Other property, plant and equipment	(12,023)	(761)	64	159	45	(12,516)
Total	(31,722)	(1,474)	106	187	967	(31,936)

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Net book values						
Buildings	595	(210)	-	-	(4)	381
Plant and equipment	262	768	41	(24)	(65)	982
Other property, plant and equipment	1,349	(371)	(16)	(37)	(4)	922
Total	2,207	187	25	(60)	(72)	2,285

► **Breakdown of property, plant and equipment at December 31, 2019**

€'000	Dec 31, 18	Increase	Decrease	Exchange gains or losses and reclass.	Dec 31, 19
Gross values					
Buildings	733	471	-	(191)	1,014
Plant and equipment	20,639	169	(1,571)	306	19,543
Other property, plant and equipment	13,929	695	(1,322)	69	13,372
Total	35,302	1,335	(2,893)	184	33,929
Depreciation and amortization					
Buildings	(307)	(321)	-	209	(419)
Plant and equipment	(19,424)	(1,274)	1,792	(375)	(19,281)
Other property, plant and equipment	(12,185)	(887)	1,164	(115)	(12,023)
Total	(31,915)	(2,482)	2,955	(281)	(31,722)
Net book values					
Buildings	426	151	-	18	595
Plant and equipment	1,216	(1,106)	221	(68)	262
Other property, plant and equipment	1,745	(191)	(158)	(46)	1,349
Total	3,386	(1,146)	63	(96)	2,207

Note 15 – Rights of use: IFRS 16 impacts

► **Main impacts at the start of the reporting period**

	IFRS 16 Dec 31, 2019	IFRS 16 impacts	IFRS 5 impacts	IFRS 16 Dec 31, 2020
Assets	8,940	-711	-894	7,336
Non-current assets	8,192	-646	-894	6,652
- Of which rights of use	6,622	205	-894	5,934
- Of which lease receivables	1,570	-851		718
Current assets	749	-65		684
- Of which lease receivables	749	-4		745
Liabilities	8,940	-711	-894	7,336
Shareholders' equity	-211	-26		-237
Non-current liabilities	5,725	-885	-741	4,099
- Of which lease liabilities	5,725	-885	-741	4,099
Current liabilities	3,427	200	-153	3,474
- Of which lease liabilities	3,427	200	-153	3,474

In September 2000, Parrot set up its headquarters at 174-178 quai de Jemmapes, 75010 Paris, leasing its premises from SCOMAP, under a lease subject to 3/6/9 regulations. At December 31, 2020, the Company leased 10 units, including four for an indefinite period, with six due to expire in 2021 and 2022 (at the end of the 3/6/9 leases). To date, no negotiations have been carried out to renew these leases under the usual 3/6/9 terms. The Company intends to extend them under the conditions for an indefinite lease, which sets the notice period at six months.

In accordance with IFRS 16, in the case of indefinite leases, the lease liability is calculated over an estimated economic lifetime. This period was set for December 2023.

► Main impacts, including the impacts on profit or loss at December 31, 2020

IFRS 16.53	Total
Depreciation charge for right-of-use assets	-3,074
Interest expense and income on lease liabilities	-115
Expense relating to variable lease payments not included in the measurement of lease liabilities	0
Additions to right-of-use assets	0
Carrying amount of right-of-use assets on the date of this report	5,934
Amortized discounted lease liability on the date of this report	7,573
Profit and loss impact linked to the cancellation of lease charges recorded between the start of the reporting period and the date of this report (net of lease charges collected for sub-leases)	3,146

► Change in rights of use at December 31, 2020 compared with the start of the reporting period

	Dec 31, 19	Addition of assets	Depreciation charges	Withdrawal of assets	Exchange gains or losses	Dec 31, 20
Right of use	6,622	3,568	-3,074	-185	-103	5,934

The addition of assets concerns new leases for 1.1 M€ and amendments to contracts during the period for 2.4 M€.

1.5.5.16. Note 16 – Non-current financial assets

Non-current financial assets can be broken down as follows:

► Equity securities

They correspond to equity securities held in non-consolidated companies over which the Group does not have a significant influence or control. The equity securities primarily comprise securities in companies from the Drone business.

These financial assets are all measured at fair value through other comprehensive income in accordance with the option offered by IFRS 9.

Changes in the fair value of these assets are recognized directly in equity and are considered to be non-recyclable through profit or loss. These assets are not subject to any depreciation.

€'000	Dec 31, 19	Increase	Decrease	Exchange gains or losses and reclass.	Dec 31, 20
Equity securities	2,639	2,020	-	(5)	4,653
Total	2,639	2,020	-	(5)	4,653

Parrot Drones SAS holds a 9.9% interest in Dendra Systems (previously BioCarbon Engineering) for 2.2 M€.

Parrot Drones SAS holds an 18.6% (0.4 M€) interest in the company Chouette SAS.

Parrot Drones SAS holds the securities of NanoRacing SAS (20%), a French company that is developing a racing UAV, acquired by Parrot Drones SAS on March 24, 2016 for 1 M€. The fair value of these securities is zero at December 31, 2020.

On December 21, 2020, Parrot Drones subscribed for a capital increase by a French-law company specialized in software for a total of 2 M€, giving it a 25% interest in this company's capital and voting rights. The remaining capital is held by its chairman and founder, an experienced engineer. This investment is combined with an option for Parrot to acquire a majority of this company's capital (50.1%) at the end of a two-year period. As this interest is not significant, this company is not consolidated on an equity basis in the Group's accounts.

► Other receivables attached to equity interests and security deposits

"Other receivables attached to equity interests" comprise the Group's advances to non-consolidated companies. These financial assets and the security deposits are financial assets measured at their amortized cost. Impairments are deducted from this amortized cost. The interest income, exchange gains and losses, and impairments are recognized in profit or loss. The gains and losses resulting from derecognition are recognized in profit or loss.

► Change in financial assets

€'000	Dec 31, 19	Increase	Decrease	Exchange gains or losses and reclass.	Dec 31, 20
Gross values					
Other receivables attached to equity interests	445	221	(0)	(53)	613
Security deposits	1,287	44	(106)	(16)	1,209
Total	1,732	265	(106)	(69)	1,822
Depreciation					
Other receivables attached to equity interests	-	-	-	-	-
Security deposits	-	-	-	-	-
Total	-	-	-	-	-
Net book values					
Other receivables attached to equity interests	445	221	(0)	(53)	613
Security deposits	1,287	44	(106)	(16)	1,209
Total	1,732	265	(106)	(69)	1,822

1.5.5.17. Note 17 – Associates

The financial position and value of investments in associates at December 31, 2020 are presented below:

	% of capital held	Revenues	Shareholders' equity	Income from associates
Iconem	41.79%	722	419	(166)
Planck Inc	47.17%	1,286	(630)	(354)
SkyHero	28.57%	1,924	1,270	136
Total				(384)

€'000	Dec 31, 19	Inclusion in scope	Earnings	Deconsolidation	Transactions between shareholders	Exchange gains or losses and reclass.	Dec 31, 20
Iconem	1,065	-	(166)	-	-	-	899
Planck Inc	2,804	-	(354)	-	-	(212)	2,238
SkyHero	1,694	-	136	-	-	-	1,830
Total	5,563	-	(384)	-	-	(212)	4,967

€'000	Dec 31, 20	Dec 31, 19
Book value of equity securities at January 1	5,564	6,077
Parrot Faurecia Automotive's transfer to equity basis consolidation	-	-
Planck Inc's transfer to equity basis consolidation	-	-
SkyHero's transfer to equity basis consolidation	-	-
Share in income of associates	(384)	(630)
Exchange gains or losses	(212)	62
Share in other comprehensive income of associates		
Disposal of Parrot Faurecia Automotive		
Dilution of SkyHero capital		296
Other	-	(241)
Book value of equity securities at year-end	4,967	5,564

1.5.5.18. Note 18 – Deferred tax

► Change in deferred tax assets

€'000	Dec 31, 20	Dec 31, 19
At January 1	217	240
Income (expense) for the year	14	(1)
Impact on reserves	(17)	(22)
At year-end	213	217

Recognizing that it is difficult to reliably forecast a business plan for the next few years, the Company does not record deferred tax assets on losses that can be carried forward.

► Change in deferred tax liabilities

€'000	Dec 31, 20	Dec 31, 19
At January 1	44	79
Income (expense) for the year	44	(112)
Impact on reserves	(60)	77
At year-end	27	44

► Detailed breakdown of deferred tax assets and liabilities by kind

€'000	Assets		Liabilities		Net	
	2020	2019	2020	2019	2020	2019
Intangible assets	-	-	26	29	(26)	(29)
Property, plant and equipment	-	-	-	-	-	-
Depreciation of treasury stock	-	-	-	-	-	-
Inventories	413	620	224	344	189	277
Capitalization of development costs	-	-	-	55	-	(55)
Capitalization of loss carryforwards	-	-	-	-	-	-
Offsetting of deferred tax assets / liabilities	(336)	(488)	(336)	(488)	-	-
Investment subsidies	-	-	-	-	-	-
IFRS 16	54	46	-	-	54	46
Other assets	938	943	-	-	938	943
Provisions:	279	275	136	113	142	162
Of which pensions	244	218	136	113	107	105
Of which other social provisions	-	-	-	-	-	-
Of which depreciation of subsidiary receivables	-	-	-	-	-	-
Of which other provisions	35	57	-	-	35	57
Other liabilities	-	-	(23)	(8)	23	8
Tax loss carryforwards	-	-	-	-	-	-
Restriction of deferred tax assets	(1,134)	(1,180)	-	-	(1,134)	(1,180)
Net deferred tax assets (liabilities)	213	217	28	44	186	173

The main non-capitalized losses represent 288.9 M€ for the tax consolidation group, with 38.8 M€ for Parrot Drones, 69.3 M USD for Parrot Inc. and 26.6 M CHF for SenseFly SA.

1.5.5.19. Note 19 – Inventories

€'000	Dec 31, 19	Change	Reclassification IFRS 5	Reclassification and exchange gains or losses	Dec 31, 20
Gross values	22,827	(3,666)	(693)	(423)	18,045
Depreciation	(9,512)	1,509	-	132	(7,871)
Net value of inventories	13,315	(2,157)	(693)	(291)	10,173

1.5.5.20. Note 20 – Trade receivables

€'000	Dec 31, 20	Dec 31, 19
Trade receivables	7,189	12,108
Impairment of trade receivables	(1,195)	(1,805)
Total	5,994	10,304

The lower level of trade receivables at December 31, 2020 compared with the previous year reflects the contraction in the Group's revenues and the leadership team's focus on managing cash flow. Receivables do not bear interest and are in general due to be paid within 30 to 90 days.

1.5.5.21. Note 21 – Other receivables

€'000	Dec 31, 20	Dec 31, 19
VAT receivables	5,838	6,580
Prepaid expenses	1,028	1,547
Sundry debtors	1,200	2,266
Current lease receivables	745	749
Advances and deposits paid	1,012	752
Social security receivables	69	13
Total	9,892	11,907

VAT receivables correspond to VAT that can be deducted on purchases, primarily in France.

Sundry debtors correspond primarily to Parrot Drones and PSA trade payables for 410 K€, and Pix4D SA receivables for 570 K€.

In accordance with IFRS 9, the company no longer records receivables on which the contractual rights to cash flow have been transferred, and substantially all the risks and benefits associated with these receivables.

1.5.5.22. Note 22 – Tax receivables

€'000	Dec 31, 20	Dec 31, 19
Tax receivables	7,644	6,024
TOTAL	7,644	6,024

Tax receivables correspond primarily to research tax credits: 4 M€ for 2020, 3.1 M€ for 2019 and 0.3 M€ for 2018. In addition, Parrot SA has transferred out and derecognized its receivables from the French State relating to the 2018 research tax credit for a total of 1.6 M€. The cash received represents 1.5 M€. The cost of this transfer, recognized in net finance costs, represents 0.04 M€. This transfer was made without any appeals.

1.5.5.23. Note 23 – Net financial debt

At December 31, 2020, net financial debt, including the financial debt linked to the application of IFRS 16 Leases, totaled (77,928) K€.

Cash, cash equivalents and other current financial assets came to 87,992 K€, down 38,627 K€ compared with the previous year's closing position.

Current and non-current financial liabilities represent 10,064 K€ (see "Note 26 - Financial liabilities").

1.5.5.24. Note 24 – Assets and liabilities held for sale

Following the start of non-exclusive talks with AgEagle Aerial Systems on November 10, 2020 with a view to selling MicaSense, all of the conditions for the business to be classed as discontinued under IFRS, notably taking into account the highly probable nature of the operation, were satisfied. In accordance with IFRS 5, the corresponding assets and liabilities have been isolated on dedicated lines.

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

The items from the income statement, other comprehensive income and the cash flow statement relating to these discontinued operations have not been subject to this treatment, because MicaSense does not represent a primary and distinct region or business line, as the Parrot Group is made up of a single operating segment.

Assets (€'000)	IFRS 5
Non-current assets	962
Other intangible assets	8
Property, plant and equipment	60
Right of use	894
Deferred tax assets	0
Current assets	1,754
Inventories	693
Trade receivables	195
Other receivables	103
Cash and cash equivalents	761
Total assets	2,716
Shareholders' equity and liabilities (€'000)	IFRS 5
Non-current liabilities	741
Non-current lease liabilities	741
Current liabilities	814
Current financial liabilities	262
Current lease liabilities	153
Trade payables	345
Other current liabilities	53
Total shareholders' equity and liabilities	1,554

1.5.5.25. Note 25 - Shareholders' equity

1.5.5.25.1. Share capital

At December 31, 2020, the share capital was split into 30,174,981 fully paid-up ordinary shares, representing a total of 4,599 K€. Changes in the number of shares outstanding can be broken down as follows:

	Dec 31, 19	Issues	Reductions	Dec 31, 20
Number of securities	30,174,681	300		30,174,981
Rounded off par value (€)	0.15 €	0.15 €		0.15 €
Share capital (€)	4,599,260	46	0	4,599,305

1.5.5.25.2. Stock option, warrant and bonus share plan

► Stock options (SO)

Date of Board meeting and type of plan	Duration	Number of SO at Dec 31, 2019	SO awarded during period	SO exercised during period	SO cancelled or lapsed	Number of SO at Dec 31, 2020
BM February 15, 2012: SO	7 years	-				-
BM May 12, 2012: SO	7 years	-				-
BM November 10, 2012: SO	7 years	-				-
BM February 20, 2013: SO	7 years	4,317			(4,317)	-
BM May 15, 2013: SO	7 years	11,512			(11,512)	-
Total		15,829	-	-	(15,829)	-

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

Number of SO	2020	2019
Number of options at January 1	15,829	183,520
SO awarded during the period		
SO exercised during the period		
SO maturing during the period	(15,829)	(167,691)
Number of SO at year-end	-	15,829

All the stock option plans have the following characteristics (conditions for presence within the Group):

- Beneficiaries may subscribe for 50% of the options awarded at the end of the second year following allocation;
- At the end of each quarter, beneficiaries may then subscribe for 6.25% of the options awarded over the following three-year period.

► Bonus shares (BS)

Date of Board meeting and type of plan	Duration	Number of BS at Dec 31, 2019	BS awarded during period	BS delivered during period	BS cancelled or lapsed	Number of BS at Dec 31, 2020
BM May 1, 2016: BS	3 years	-				-
BM May 24, 2017: BS	2 years	-				-
BM July 27, 2017: BS	2 years	-				-
BM November 09, 2017: BS	2 years	-				-
BM March 14, 2018: BS	2 years	179,500		(180,500)	1,000	-
BM May 24, 2018: BS	2 years	10,500		(10,238)	(262)	-
BM July 31, 2018: BS	2 years	23,000		(18,525)	(4,475)	-
BM January 28, 2019: BS	2 years	215,000				215,000
BM March 13, 2019: BS	2 years	20,000				20,000
BM July 29, 2020: BS	2 years		273,000			273,000
Total		448,000	273,000	(209,263)	(3,737)	508,000

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

Number of bonus shares	2020	2019
Number of BS at January 1	448,000	482,350
BS awarded during the period	273,000	255,000
BS delivered during the period	(209,263)	(207,650)
BS cancelled at maturity during the period	(3,737)	(81,700)
Number of BS at year-end	508,000	448,000

► Characteristics of bonus share plans in 2020

Board meeting date	Date awarded	Initial number	Start of vesting	Vesting period	Vesting date
Jul 29, 20	Jul 29, 20	273,000	Jul 29, 20	2 years	Jul 29, 22

► Conditions for awarding bonus shares in 2020

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

On July 29, 2020, the Board of Directors approved the proposal, terms and conditions for the Remuneration and Incentive Plan Regulations submitted by the Appointments and Compensation Committee. The Appointments and Compensation Committee has set up a plan for awarding units settled in Parrot shares at the end of a two-year period subject to presence and performance conditions for all beneficiaries.

► **Impact on the financial statements**

The expense recognized for awards of stock options and bonus shares represents 881 K€ for 2020 (versus 1,459 K€ in 2019).

1.5.5.25.3. Treasury stock

	Dec 31, 19	Acquisition	Disposal	Reclassification	Cancellation	Awarded on registered basis	Dec 31, 20
Number of securities	397,789	-	(209,263)	-	-	-	188,526
Value (€'000)	4,678						2,050
	Dec 31, 2018	Acquisition	Disposal	Reclassification	Cancellation	Awarded on registered basis	Dec 31, 2019
Number of securities	612,179	36,494	(250,884)	-	-	-	397,789
Value (€'000)	7,868	-	-	-	-	-	4,678

The number of securities at December 31, 2020 comprises:

Breakdown of number of shares	Dec 31, 19	Acquisition	Disposal	Reclassification	Cancellation	Awarded on registered basis	Dec 31, 20
Unallocated treasury stock	-						-
Bonus shares awarded and not delivered to staff	397,789		(209,263)				188,526
Shares to be cancelled	-						- 0
Subtotal	397,789	-	(209,263)	-	-	-	188,526
Liquidity agreement	-						-
Total	397,789	-	(209,263)	-	-	-	188,526

The general shareholders' meeting on June 16, 2020 authorized a share buyback program. The shares bought back may be used with a view to:

- Continuing to implement the liquidity agreement,
- Awarding stock options and/or bonus shares to the Parrot Group's employees or corporate officers,
- Reducing the Company's capital.

► **Liquidity agreement**

The liquidity agreement was terminated on June 30, 2019.

► **Share buyback programs**

The value of the various programs corresponds to the balance for shares awarded to staff and not served, as well as the remaining shares purchased at December 31, 2020.

Shares	Remaining at Dec 31, 2019	Cancelled in 2019	Awarded and served in 2020	Buybacks	Awarded and not served	Remaining at Dec 31, 2020
Buyback program no.6	-					-
Buyback program no.10	-					-
Buyback program no.11	-					-
Buyback program no.12	17,171					17,171
Buyback program no.13	344,124		(209,263)			134,861
Buyback program no.14	36,494					36,494
Total	397,789	-	(209,263)	-	-	188,526

► **Dividends**

There are no plans to pay out any dividends for 2020.

1.5.5.26. Note 26 - Financial liabilities

€'000	Dec 31, 20	Dec 31, 19
Debt on leased fixed assets	-	-
Lease liabilities	4,099	5,725
Sundry borrowings and financial debt	1,762	1,511
Non-current financial liabilities (long-term)	5,861	7,235
Borrowings and debt with credit institutions	-	-
Lease liabilities	3,474	3,427
Sundry borrowings and financial debt	729	-
Current financial liabilities (short-term)	4,203	3,427

► Sundry borrowings and financial debt

At December 31, 2020, an interest-free repayable advance from BPIfrance was recorded for Parrot Drones in connection with the FELIN future integrated LTE equipment with virtualization project for 1,104 K€. The project aimed to develop next-generation integrated circuits and equipment for 4G connected devices. This advance is repayable over four years, with a first installment of 305 K€ paid in July 2019 and a second installment in May 2020. In addition, part of this advance for a total of 494 K€ was subject to a debt write-off. This write-off is not recorded because it is subject to the prior reimbursement of the installments due in 2021 and 2022.

In the context of the Covid-19 health and economic crisis, the Group has taken out 1.4 M€ of loans for SenseFly, repayable through to December 31, 2024.

► Fair value of derivative instruments at year-end

€'000	Dec 31, 20	Dec 31, 19
Current liabilities	-	-
Non-current liabilities	-	-

► Change in liabilities from financing activities

€'000	Dec 31, 19	Cash flow		Non-monetary changes		Dec 31, 20
		Receipts linked to new loans	Repayment of financial debt	Foreign exchange effects	Reclassification	
Non-current liabilities						
Borrowings and debt with credit institutions	-	-				-
Convertible bonds	-					-
Lease liabilities	5,725			(132)	(1,494)	4,099
Sundry borrowings and financial debt	1,510	1,400	(406)	(9)	(734)	1,762
Non-current financial liabilities (long-term)	7,235	1,400	(406)	(141)	(2,228)	5,861
Current liabilities						
Borrowings and debt with credit institutions	-	219		(15)	-203,732	-
Accrued interest on borrowings	-					- 0
Lease liabilities	3,427		(3,837)	(97)	3,981	3,474
Sundry borrowings and financial debt		63		(8)	674	729
Current financial liabilities (short-term)	3,427	281	(3,837)	(121)	4,452	4,203
Financial liabilities	10,662	1,682	(4,242)	(262)	2,224	10,064

1.5.5.27. Note 27 - 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.

In €	Dec 31, 20	Dec 31, 19
Net income (Group share, €)	(38,149,700)	(29,549,111)
Weighted average number of shares outstanding	30,174,981	30,174,681
Basic net income per share (€)	€-1.26	€-0.98

► Diluted earnings per share

Diluted earnings per share factor in any dilutive instruments outstanding at the end of the period. Following the negative result recorded for 2020, existing potentially dilutive instruments have not been taken into account to calculate diluted earnings per share.

In €	Dec 31, 20	Dec 31, 19
Net income (Group share) used to determine diluted earnings per share	(38,149,700)	(29,549,111)
Weighted average number of shares outstanding retained to determine diluted net earnings per share	30,174,981	30,174,681
Diluted net income per share (€)	€-1.26	€-0.98

1.5.5.28. Note 28 – Non-controlling interests

Parrot Drones SAS has interests in three companies: Dendra Systems (previously BioCarbon Engineering), Chouette SAS and Nano Racing (see “Note 16 – Non-current financial assets”). Parrot Drones SAS does not have control over these companies due to the percentage and conditions for the interests held.

On December 21, 2020, Parrot Drones subscribed for a capital increase by a French-law company specialized in software for a total of 2 M€, giving it a 25% interest in this company’s capital and voting rights. The remaining capital is held by its chairman and founder, an experienced engineer. This investment is combined with an option for Parrot to acquire a majority of this company’s capital (50.1%) at the end of a two-year period.

1.5.5.29. Note 29 – Provisions for pensions and related commitments

► Introduction

Employee benefits primarily comprise pension benefits concerning Parrot Drones, Parrot SA and Parrot ANZ.

The Group is subject to defined benefit pension plans for the end-of-career benefits paid to staff. These plans are not financed in any way by the Group.

► Financial information

Supplementary employee benefits primarily concern provisions for retirement benefits (PRB). At December 31, 2020, the provisions primarily included:

- 719 K€ of provisions for retirement benefits for Parrot Drones (638 K€ at December 31, 2019);
- 256 K€ of provisions for retirement benefits for Parrot SA (233 K€ at December 31, 2019);
- 276 K€ of provisions for retirement benefits for Parrot ANZ.

€'000	Dec 31, 19	Allocations	Reversals	Change in scope	Reclassification	Reclass. actuarial gains and losses	Exchange gains or losses	Dec 31, 20
Provisions for retirement benefits	871	118	-	-	-	(14)	-	975
Other provisions for retirement benefits	-	32	-	-	233	-	11	276
Total provisions for pensions and related commitments	871	150	-	-	233	(14)	11	1,251

(Expense) / Income for the year	2020	2019
Net cost of services	(110)	(142,000)
Net interest on liability / asset	(8)	(17,000)
Plan change during the year		

Reduction / liquidation effects		134
(Expense) / Income for the year	(118)	(25,000)
Change in actuarial liability over the year	2020	2019
Actuarial liability (DBO) at start of period	(871)	(872)
Net cost of services	(110)	(142)
Net interest on liability / asset	(8)	(17)
Plan change	-	-
Reduction / liquidation effects	-	134
Experience gains (losses) generated over the period	(6)	(29)
Gains (losses) relating to changes in demographic assumptions	20	55
Gains (losses) relating to changes in financial assumptions	-	-
Benefits paid	-	-
(Acquisition) / sale	-	-
Transfers (net between incoming and outgoing transfers)	-	-
Actuarial liability (DBO) at end of period	(975)	(871,000)
Main assumptions (%)	2020	2019
Discount rate	0.81%	0.90%
Inflation rate	1.80%	1.80%
Rate of wage growth	3.40%	3.57%

1.5.5.30. Note 30 - Other non-current provisions

€'000	Dec 31, 19	Allocations	Reversals	Change in scope	Reclassification	Exchange gains or losses	Dec 31, 20
Provisions for disputes	-	-	-	-	-	-	-
Other prov. for liabilities and charges	149	32	(129)	-	60	(0)	111
TOTAL NON-CURRENT PROVISIONS	149	32	(129)	-	60	(0)	111

1.5.5.31. Note 31 – Current provisions

► Change in current provisions during the year

€'000	Dec 31, 19	Allocations	Reversals	Change in scope	Reclassification	Exchange gains or losses	Dec 31, 20
Provisions for client warranties	2,236	173	(1,237)	-	-	(20)	1,152
Other prov. for liabilities and charges	2,953	1,301	(1,398)	-	(80)	(74)	2,701
TOTAL CURRENT PROVISIONS	5,189	1,473	(2,635)	-	(80)	(94)	3,853

Other provisions primarily concern:

- Provisions for disputes: Parrot and its subsidiaries are still involved in disputes in the US and elsewhere, with a total of 0.9 M€ of provisions recorded vs 1.1 M€ at end-2019;
- 2018 restructuring provisions of 0.2 M€ vs 0.3 M€ at end-2019;
- Provisions for supplier commitments for 1.5 M€ vs 1.0 M€ at end-2019;
- Provisions for warranties: 1.2 M€ vs 2.2 M€ at end-2019;
- Other provisions: 0.1 M€ vs 0.4 M€ at end-2019.

1.5.5.32. Note 32 – Trade payables, current tax liabilities and other current and non-current liabilities

► Trade payables, current tax liabilities and other current liabilities

Trade payables represented 11.9 M€ at December 31, 2020, compared with 16.3 M€ at December 31, 2019, with this reduction primarily reflecting the contraction in business.

The 2020 business value added tax (CVAE), totaling 77 K€ (versus 96 K€ in 2019), is presented under current tax liabilities.

The credit notes to be issued for 0.5 M€ correspond to the provisions for commercial returns and margin guarantees.

€'000	Dec 31, 20	Dec 31, 19
Trade payables	11,930	16,258
Current tax liabilities	109	46
Credit notes to be issued	450	1,055
Tax and social security liabilities	9,800	9,043
Liabilities on acquisitions of minority interests	(0)	0
Advances and deposits received	1,501	1,051
Other current liabilities	1,742	2,822
Other current liabilities	13,494	13,971

► Other non-current liabilities

€'000	Dec 31, 20				Dec 31, 19	
Liabilities on acquisitions of minority interests	3,124				2,649	
Other non-current liabilities	3,124				2,649	
€'000	Dec 31, 19	Change through equity	Change through P&L	Exchange gains or losses	Reclassification	Dec 31, 20
Pix4D put option	(2,578)	(287)	-	(10)	-	(2,875)
Other	(70)	-	(423)	3	-	(490)
Total	(2,649)	(287)	(423)	(6)	-	(3,365)

Parrot's obligations to buy back Pix4D securities are recognized under liabilities relating to acquisitions of minority interests, classed as non-current liabilities as the exercise date is over one year. These call options are measured at fair value based on operational performance, i.e. the discounted value of the estimated exercise price, in line with the levels of margins and revenues. The discount rate reflects the marginal cost of debt for Parrot.

Other non-current liabilities include 2,875 K€ relating to these call options.

1.5.5.33. Note 33 - Financial instruments

► Categories and fair value (FV) of financial assets and liabilities

At Dec 31, 2020 €'000	FV through P&L	Put liabilities	FV through OCI	Amortized cost	Balance sheet value	Fair value
Other receivables attached to equity interests and security deposits				1,822	1,822	
Other non-current financial assets			4,653		4,653	4,653
Non-current lease receivables	718				718	718
Trade receivables				5,994	5,994	-
Current lease receivables	745				745	745
Other current receivables				9,147	9,147	-
Other current financial assets	-				-	-
Cash and cash equivalents	87,992				87,992	87,992
Total financial assets	89,455	-	4,653	16,962	111,070	94,108
Non-current financial liabilities				1,762	1,762	-
Other non-current liabilities		3,365			3,365	-
Trade payables				11,930	11,930	-
Other current liabilities				13,494	13,494	-
Total financial liabilities	-	3,365	-	27,186	30,551	-
At Dec 31, 2019 (€'000)	FV through P&L	Put liabilities	FV through OCI	Amortized cost	FV on balance sheet	Fair value

Other receivables attached to equity interests and security deposits				1,732	1,732	
Other non-current financial assets			2,639		2,639	2,639
Non-current lease receivables	1,570				1,570	1,570
Trade receivables				10,304	10,304	-
Current lease receivables	749				749	749
Other current receivables				11,158	11,158	-
Other current financial assets					-	
Cash and cash equivalents	126,618				126,618	126,618
Total financial assets	128,937	-	2,639	23,194	154,770	131,576
Non-current financial liabilities				1,511	1,511	-
Other non-current liabilities		2,649			2,649	-
Trade payables				16,258	16,258	-
Other current liabilities				13,971	13,971	-
Total financial liabilities	-	2,649	-	31,739	34,388	-

► 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 other comprehensive income;
- Assets measured at fair value through other comprehensive income;
- Future cash-flow hedging derivative instruments.

The fair value hierarchy is based on the following levels:

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

We did not make any transfers between the various levels between 2019 and 2020.

At Dec 31, 2020 (€'000)	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value, of which:				
Financial assets	4,653			4,653
Non-current lease receivables	718			718
Other current financial assets	-	-		
Current lease receivables	745			745
Cash and cash equivalents	88,753	88,753		
Total assets	94,869	88,753	-	6,116
Financial liabilities measured at fair value, of which:				
Convertible bonds	-			
Other financial liabilities	-			
Other current liabilities	-			
Other non-current liabilities	-			
Total liabilities	-	-	-	-
At Dec 31, 2019 (€'000)	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value, of which:				
Other non-current financial assets	2,639			2,639
Non-current lease receivables	1,570			1,570
Other current financial assets	-			

Current lease receivables	749			749
Cash and cash equivalents	126,618	126,618		
Total assets	131,576	126,618	-	4,958
Financial liabilities measured at fair value, of which:				
Convertible bonds	-			
Other financial liabilities	-			
Other current liabilities	-			
Other non-current liabilities	-			
Total liabilities	-	-	-	-

► Schedule for financial liabilities

Financial liabilities are detailed in “Note 26 - Financial liabilities”.

► Analysis of trade receivables and their seniority

At December 31, 2020	Not due	Trade receivables for which the payment due date has passed				Total
€'000		0-3 months	3-6 months	6-12 months	>1 year	
Trade receivables	4,097	1,622	95	-0	1,375	7,189
Total financial assets	4,097	1,622	95	-0	1,375	7,189
Of which, COFACE cover	1,997	214	3	4	14	2,233
Trade receivables not covered	2,099	1,408	92	4	1,360	4,956
Provisions for trade receivables and related	-	-	-	-	-	1,195
Total trade receivables	4,097	1,622	95	-0	1,375	5,994

The valuation method for trade receivables provisions remains unchanged.

At December 31, 2019	Not due	Trade receivables for which the payment due date has passed				Total
€'000		0-3 months	3-6 months	6-12 months	>1 year	
Trade receivables	5,458	2,987	755	632	2,276	12,108
Total financial assets	5,458	2,987	755	632	2,276	12,108
Of which, COFACE cover	1,781	308	- 0	- 0	115	2,204
Trade receivables not covered	3,676	2,679	755	632	2,161	9,904
Provisions for trade receivables and related	-	-	-	-	-	1,805
Total trade receivables	5,458	2,987	755	632	2,276	10,304

Overdue receivables concern a limited number of customers, which are closely monitored and analyzed. As relevant, provisions for depreciation have been recorded for a total of 1,195 K€, down 610 K€ compared with 2019.

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

► Hedging instruments

NA in 2020.

1.5.5.34. Note 34 – Market risks

1.5.5.34.1. Foreign exchange risk

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

In 2020, 62% of the Group's revenues, 78% of its costs of sales and 16% of its operating costs were denominated in USD or currencies linked to the dollar, with the Group exposed to this currency's fluctuations against the euro. The

Group has not hedged its net exposure to changes in the USD.

To limit the impact of changes in the USD on its profitability, the Group has been developing sales denominated in this currency. At end-December 2020, 21% of the Group's cash and other current financial assets were in US dollars or linked currencies.

► Foreign exchange risk exposure

'000 at Dec 31, 2020	USD	HKD	GBP	CNY	EUR	AUD	CHF
Trade receivables	4,930	-	0	15	392	-	-
Trade payables	(4,884)	(83)	(0)	(4,751)	(1,577)	-	(517)
Other equity interest-related receivables	10,520	(4,352)	-	-	-	-	-
Current account	364	-	-	-	-	-	-
Financial derivatives		- 0		- 0	- 0	- 0	
'000 at Dec 31, 2019	USD	HKD	GBP	CNY	EUR	AUD	CHF
Trade receivables	9,381			3,965	50		
Trade payables	(12,155)	(28)	(532)	(5,090)	(638)	(954)	(179)
Other equity interest-related receivables	35,274	(4,718)					-
Current account	3,586				387		(22)
Financial derivatives							
€'000 at Dec 31, 2020	P&L impact 10% appreciation of currencies against the euro		Equity impact		P&L impact 10% appreciation of the euro against currencies		Equity impact
Trade receivables	490				(401)		
Trade payables	(737)				603		
Other equity interest-related receivables			953				(779)
Current account			33				(27)
Financial instruments							
€'000 at Dec 31, 2019	P&L impact		Equity impact		P&L impact		Equity impact
	10% appreciation of currencies against the euro				10% appreciation of the euro against currencies		
Trade receivables	984				(1,080)		
Trade payables	(1,429)				1,169		
Other equity interest-related receivables			3,429				(2,805)
Current account			352				(288)
Financial derivatives							

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

1.5.5.34.2. Interest rate risk

Cash is invested on an ad hoc basis in risk-free vehicles with underlying rates of mostly up to three months.

The impact of a 1% change in the average rate of return would represent a 14 K€ loss on the level of consolidated financial income.

On account of the current low yield rates, the Company has not systematically used short and medium-term investments.

	Dec 31, 19	Acquisition	Disposal	Reclassification	Cancellation	Awarded on registered basis	Dec 31, 20
Number of securities	397,789	-	(209,263)	-	-	-	188,526
Value (€'000)	4,678						2,050

1.5.5.34.3. Risk relating to treasury stock

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

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

The value of treasury stock reclassified as equity represents 2,050 K€ for 188,526 shares.

1.5.5.34.4. Liquidity and counterparty risk

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

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

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

► Financial assets at December 31, 2020

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

The net book value of financial assets represents the Group's maximum exposure faced with the credit risk. At December 31, 2020, the maximum credit risk exposure can therefore be broken down as follows:

- Trade receivables: 6.0 M€
- Other receivables: 17.5 M€
- Cash and cash equivalents: 88.0 M€

Since 2016, the Parrot Group's policy is to diversify its counterparty risk management by distributing investments among first-rate banking institutions and over various timeframes, in addition to regularly monitoring developments.

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

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

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

► Financial liabilities at December 31, 2020

The Group's ability to service its debt depends on the performance of its operational activities and its capacity to generate cash flow through its activities. The schedule for financial liabilities can be broken down as follows:

At Dec 31, 2020 (€'000)	Book value	Contractual cash flow	Less than 1 year	1-2 years	2-5 years	Over 5 years
Financial liabilities						
Convertible bonds						
Debt with credit institutions						
Sundry borrowings and financial debt Other	1,762		305	799	658	
Bank overdrafts						
Non-current lease liabilities	4,099				4,082	17
Trade payables	11,930		11,930			
Current lease liabilities	3,474		3,474			
Other liabilities	16,859		13,494	1,951	1,414	

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Total	38,125	-	29,203	2,750	6,154	17
Derivative financial liabilities						
Rate instruments						
Currency instruments						
Total	-	-	-	-	-	-
At Dec 31, 2019 (€'000)	Book value	Contractual cash flow	Less than 1 year	1-2 years	2-5 years	Over 5 years
Financial liabilities						
Convertible bonds						
Debt with credit institutions						
Sundry borrowings and financial debt Other	1,511				1,511	
Bank overdrafts						
Non-current lease liabilities	5,725				5,522	203
Trade payables	16,258		16,258			
Current lease liabilities	3,427		3,427			
Other liabilities	16,620		13,971	2,649		
Total	43,540	-	33,655	2,649	7,032	203
Derivative financial liabilities						
Rate instruments						
Currency instruments						
Total	-	-	-	-	-	-

1.5.5.35. Note 35 - Executive compensation

► **Total amount of compensation paid to Management Committee members**

€'000	Dec 31, 20	Dec 31, 19
Fixed pay	1,270	1,539
Variable pay	231	217
Short-term benefits	1,501	1,756
Post-employment benefits	-	-
Share-based payments	47	153
TOTAL	1,548	1,909

In 2020, the Management Committee comprised the following seven members: Chairman-CEO, VP Finance, VP Human Resources, VP Information Systems, VP Legal, VP Sales and Marketing, VP Procurement and Production. In 2019, it had nine members: Chairman-CEO, VP Investments, VP Legal, VP Finance, VP Human Resources, VP Sales and Marketing, VP Core Portfolio Program, VP Procurement and Industry, and VP New Product Development.

1.5.5.36. Note 36 - Related parties

The Group identifies related parties in accordance with Article 9 of IAS 24.

► **Associates**

These are companies over which the Group has a significant influence and are consolidated in line with the equity method. The transactions with these associates in 2020 were based on market prices and their volume was not significant. See "Note 17- Associates".

► **Other related parties**

Parrot's main shareholder is the company Horizon SAS, which is chaired by Henri Seydoux (Parrot's Chairman-CEO).

For the Parrot SA subsidiaries, the transactions are fully eliminated during consolidation as all of its subsidiaries are fully consolidated. These transactions are carried out at market prices.

The compensation awarded to the main executives is detailed in "Note 35 - Executive compensation".

1.5.5.37. Note 37 - Commitments given or received

► Commitments given

At December 31, 2020, the amount of firm orders placed with our main suppliers came to a total of 13.8 M€.

A parent company guarantee for USD 2,236,736 was signed on January 29, 2016 with the company Matrix Partners Management Services LP, guaranteeing rental commitments for the American subsidiary Parrot Inc.

At December 31, 2020, the off-balance sheet commitment for this contract represented 1.2 M€.

A letter of intent issued by Parrot SA confirms the financial support for Parrot Drones SAS with a view to ensuring the continuity of operations and enabling it to cover its debts.

A 2 M\$ guarantee (1.6 M€) was set up on January 29, 2021, applied on a retrospective basis over the year. This guarantee was granted to the company OnCore, which manufactures the ANAFI USA for Parrot Drones in the United States.

1.5.5.38. Note 38 - Statutory auditing fees

Amount excl. VAT (€'000)	BM&A	Network members	Total BM&A 2020	Total BM&A 2019	EY	Network members	Total EY 2020	Total EY 2019
Account certification	90	33	123	151	107	76	183	185
Services other than regulatory and legal account certification	15	-	15	15	-	-	-	-
TOTAL	105	33	138	166	107	76	183	185

1.5.5.39. Note 39 – Post-balance sheet events

► Parrot wins the call for tenders issued by the French Defense Procurement Agency (DGA)

Parrot has been chosen by the French Defense Procurement Agency (DGA) to supply its ANAFI USA micro-drone with a view to equipping the three branches of the French Armed Forces (Air, Sea and Land), following its call for tenders issued in February 2021.

This success follows two years of work to develop, secure and produce a micro-drone designed specifically to meet the requirements of the Armed Forces. The ANAFI USA drone, specially adapted for armed forces around the world, offers soldiers a 500g quadricopter micro-drone with day and night observation capabilities. ANAFI USA is developed exclusively in France and produced in the United States.

The five-year framework agreement covers several hundred drone systems, complementary equipment, the development of adaptations and training for lead pilots. The first systems will be delivered over the coming months. The total value of this contract, corresponding to the maximum total amount of the framework agreement, represents 29.9 M€ excluding VAT, with a minimum amount of 1.0 M€ excluding VAT for the framework agreement over its term.

► Sale of MicaSense

On November 10, 2020, Parrot signed a non-binding letter of intent with a view to selling 99% of the capital of MicaSense Inc. to AgEagle Aerial Systems Inc. The operation under negotiation on the reporting date is based on an enterprise value of 22.75 M\$ for 100% of the capital. This amount includes a component paid in AgEagle shares, listed on NYSE American, for an equivalent of 3 M\$.

The cash payment is based on several installments, with 18 M\$ in 2021 (including 3 M\$ of AgEagle shares), then 2.25 M\$ at end-March 2022 and 2.5 M\$ at end-March 2023, subject to the guarantees given to the buyer.

This operation was completed on January 27, 2021 under the terms presented. An initial payment of 12.7 M\$ was received at this time (13.5 M\$ net of transaction costs and adjustments to working capital requirements and cash).

1.6. Dates of latest financial information

Not applicable: the balance sheet date for the last year of audited financial information is less than four months ago.

2. Annual financial information for Parrot SA

2.1. Balance sheet for the years ended December 31, 2020 and 2019

	GROSS	Depreciation and provisions	Net Dec 31, 2020	Net Dec 31, 2019
<i>INTANGIBLE ASSETS</i>				
Research and development costs	-	-	-	-
Concessions, patents and related	1,393,233	1,393,100	133	9,737
Goodwill	7,622	-	7,622	7,622
Other intangible assets	908,365	903,179	5,186	7,181
Current intangible assets	-	-	-	-
Total intangible assets	2,309,220	2,296,279	12,941	24,540
<i>PROPERTY, PLANT AND EQUIPMENT</i>				
Technical facilities, plant and equipment	-	-	-	-
Other property, plant and equipment	9,009,011	8,669,019	339,993	461,905
Fixed assets under construction	-	-	-	-
Total property, plant and equipment	9,009,011	8,669,019	339,993	461,905
<i>NON-CURRENT FINANCIAL ASSETS</i>				
Equity securities	408,544,037	324,238,824	84,305,214	2,608,490
Equity interest-related receivables	-	-	-	-
Other non-current financial assets	282,360	-	282,360	290,926
Total non-current financial assets	408,826,397	324,238,824	84,587,573	2,899,415
FIXED ASSETS	420,144,628	335,204,121	84,940,507	3,385,860
<i>INVENTORIES AND WORK-IN-PROGRESS</i>				
Inventories of raw materials	-	-	-	-
Inventories of intermediate and finished products	-	-	-	-
Total inventories and work-in-progress	-	-	-	-
<i>RECEIVABLES</i>				
Advances and deposits paid on orders	2,851	-	2,851	2,851
Trade receivables and related	122,147	-	122,147	1,422,877
Other receivables	63,599,171	-	63,599,171	74,460,449
Capital subscribed and called, not paid				
Total receivables	63,724,169	-	63,724,169	75,886,178
<i>CASH AND CASH EQUIVALENTS</i>				
Transferable securities	2,087,237	-	2,087,237	40,743,363
Cash at bank and in hand	38,931,943	-	38,931,943	19,861,694
Prepaid expenses	61,151	-	61,151	62,633
Total cash, cash equivalents and other	41,080,331	-	41,080,331	60,667,691
CURRENT ASSETS	104,804,499	-	104,804,499	136,553,868
Deferred expenses over several years	-	-	-	-
Bond redemption premiums	-	-	-	-
Foreign currency translation gains	-	-	-	2,563,071
GENERAL TOTAL	524,949,128	335,204,121	189,745,005	142,502,798

	Net Dec 31, 2020	Net Dec 31, 2019
<i>NET POSITION</i>		
Share capital, of which 4,599,305 paid	4,599,305	4,599,259

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Issue, merger, contribution premiums	331,689,518	331,678,139
Revaluation gain/loss	-	-
Legal reserve	203,512	203,512
Statutory or contractual reserves	-	-
Regulated reserves	-	-
Other reserves	-	-
Retained earnings	-223,258,399	-227,476,830
Earnings for the year	62,929,893	4,218,430
Investment subsidies	-	-
SHAREHOLDERS' EQUITY	176,163,828	113,222,511
Income from issues of equity securities	-	-
Conditional advances	-	-
OTHER EQUITY	-	-
Provisions for liabilities	2,051,809	6,362,139
Provisions for charges	256,000	233,000
PROVISIONS FOR LIABILITIES AND CHARGES	2,307,809	6,595,139
<i>FINANCIAL LIABILITIES</i>		
Convertible bonds	-	-
Other bonds	-	-
Borrowings and debt with credit institutions	-	-
Sundry borrowings and financial debt	-	-
TOTAL FINANCIAL LIABILITIES	-	-
ADVANCES AND DEPOSITS RECEIVED ON CURRENT ORDERS	-	2,501
<i>SUNDRY LIABILITIES</i>		
Trade payables and related	810,380	907,488
Tax and social security liabilities	2,152,004	1,647,334
Fixed asset payables and related	-	-
Other liabilities	8,310,985	19,774,142
TOTAL SUNDRY LIABILITIES	11,273,368	22,328,964
PREPAID INCOME	-	-
LIABILITIES	11,273,368	22,331,465
Translation losses	-	353,683
GENERAL TOTAL	189,745,005	142,502,798

2.2. Income statement for the years ended December 31, 2020 and 2019

	France	Export	Dec 31, 20	Dec 31, 19
Sales of goods	-	-	-	-
Production sold: goods	-	-	-	-
Production sold: services	6,875,173	568,040	7,443,213	10,220,766
NET REVENUES	6,875,173	568,040	7,443,213	10,220,766
Stored production			-	-
Capitalized production			-	-
Operating subsidies			-	-
Reversal of depreciation and provisions, transferred expenses			43,725	722,166
Other income			290,590	1,862,079
OPERATING INCOME			7,777,528	12,805,010
<i>EXTERNAL EXPENSES</i>				
Purchases of goods			-	-

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Change in inventories of goods			-	-
Purchases of raw materials and other supplies			-	-
Change in inventories (raw materials and supplies)			-	-
Other purchases and external expenses			3,824,411	5,245,226
TOTAL EXTERNAL EXPENSES			3,824,411	5,245,226
TAX AND RELATED			342,927	423,491
<i>STAFF COSTS</i>				
Salaries and wages			4,987,141	6,204,200
Payroll taxes			1,442,326	1,472,158
TOTAL STAFF COSTS			6,429,467	7,676,358
<i>OPERATING PROVISIONS</i>				
Provisions for depreciation on fixed assets			310,999	395,281
Provisions on fixed assets			-	-
Provisions on current assets			-	-
Provisions for liabilities and charges			23,000	72,000
TOTAL OPERATING PROVISIONS			333,999	467,281
OTHER OPERATING EXPENSES			260,134	443,785
OPERATING EXPENSES			11,190,938	14,256,141
EBIT			-3,413,410	-1,451,131
Profit allocated or loss transferred			-	-
Loss incurred or profit transferred			-	-
Financial income from equity interests			-	-
Income from other transferable securities and fixed asset receivables			-	-
Other interest and related income			498,350	446,326
Reversal of provisions and transferred financial expenses			217,299,889	34,995,506
Foreign exchange gains			909,920	127,099
Net income from disposal of transferable securities			18,634	38,642
FINANCIAL INCOME			218,726,793	35,607,574
Financial depreciation and provisions			136,397,229	29,960,341
Interest and related expenses			1,606,431	64,529
Foreign exchange losses			14,802,431	97,603
Net expenses on disposal of transferable securities			-	8,678
FINANCIAL EXPENSES			152,806,090	30,131,151
FINANCIAL INCOME / EXPENSE			65,920,702	5,476,423
INCOME FROM ORDINARY OPERATIONS BEFORE TAX			62,507,292	4,025,292
Non-recurring income on management transactions			-	3,697
Non-recurring income from previous year			-	-
Non-recurring income on capital transactions			400,551	50,710
Reversal of provisions and transferred non-recurring expenses			2,728,245	4,078,879
NON-RECURRING INCOME			3,128,796	4,133,286
Non-recurring expenses on management transactions			-	731,944
Non-recurring expenses on capital transactions			2,706,195	3,208,203
Non-recurring depreciation and provisions			-	-
NON-RECURRING EXPENSES			2,706,195	3,940,147
NON-RECURRING INCOME / EXPENSE			422,601	193,138
Employee profit-sharing			-	-
Corporate income tax			-	-

TOTAL INCOME			229,633,117	52,545,869
TOTAL EXPENSES			166,703,224	48,327,439
PROFIT OR LOSS			62,929,893	4,218,430

2.3. Notes to Parrot SA's financial statements

The appended financial statements present the operations of PARROT SA.

Its registered office is located at 174 quai de Jemmapes, 75010 Paris, France.

These notes are intended to supplement and comment on the information provided by the balance sheet and income statement for the financial year from January 1, 2020 to December 31, 2020, with the overall disclosures providing an accurate picture of the Company's assets, liabilities, financial position and earnings at the end of this financial year.

Unless indicated otherwise, the financial statements are presented in euros.

The financial statements for the year ended December 31, 2020 were approved by the Board of Directors on April 13, 2021.

2.3.1. Main events over the year

► Recapitalization of Parrot Drones

In December 2020, the subsidiary Parrot Drones was recapitalized by Parrot SA taking on part of its debt for 214,947 K€, including 47,885 K€ of receivables relating to equity interests and 167,062 K€ of current accounts.

2.3.2. Significant post-balance sheet events

There are no significant post-balance sheet events to report.

2.3.3. Accounting methods and rules

The financial statements for the year ended December 31, 2020 have been prepared in accordance with French accounting principles and rules, including the French accounting standards board's (CRC) new accounting rules.

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

Generally accepted accounting principles have been applied in accordance with the fundamental accounting principles and core assumptions:

- Continuous operations,
- Consistent accounting methods from one year to the next,
- Independent financial years.

And in accordance with the general rules applicable for drawing up and presenting annual financial statements.

The main methods used are presented hereafter:

2.3.3.1. Intangible assets

Fully-owned software and user rights are capitalized and depreciated on a straight-line basis over their useful life, i.e.:

- Patents, licenses, brands: 1 to 3 years
- Software: 1 to 3 years

2.3.3.2. Property, plant and equipment

Property, plant and equipment are recorded under assets on the balance sheet at their historical cost.

Subsequent expenditure (spending to replace assets and ensure their compliance) is capitalized and depreciated over the remaining useful life for the corresponding fixed asset. Regular upkeep and maintenance costs are booked as expenses when they are incurred.

Depreciation is calculated on a straight-line basis in view of the estimated useful life of the various categories of fixed assets. It is calculated based on the acquisition price less any residual value.

- Fixed assets are depreciated based on their useful life as follows:
- Fixtures and fittings and technical facilities: 3 to 10 years
- Plant and equipment: 3 years
- Office equipment and IT: 2 to 3 years
- Transport equipment: 3 years
- Furniture: 5 years
- Capital gains or losses are the result of differences between the sales price and the net book value of assets sold.

2.3.3.3. Non-current financial assets, related receivables and partner current accounts

The gross value of the equity securities, receivables relating to equity interests and current accounts is recognized on a historical cost basis.

On entry, the equity securities are recognized:

- For Parrot Drones SAS based on the value of the net assets transferred through the partial transfers,
- For the other subsidiaries based on their acquisition cost, which comprises their purchase cost and related expenses.

These values have been increased by the amount of the subsequent capital increases and reductions.

► Impairment principles

The inventory value of equity securities, receivables relating to equity interests and current accounts is assessed at year-end compared with the value-in-use.

The value-in-use can be assessed with the following elements: profitability and profitability outlook, shareholders' equity, development prospects, economic environment, average share price for the last month.

When the inventory value of equity securities, receivables relating to equity interests and current accounts is lower than their book value, an impairment is recorded for the difference.

► Application

Parrot SA is a listed holding company whose main assets are equity securities, related receivables, a current account relating to its subsidiary Parrot Drones, and cash.

At December 31, 2020, the inventory value of Parrot Drones securities was determined with reference to Parrot SA's average share price for December 2020, adjusted for a 25% control premium. For this year-end, the Company estimated that the share price on an active market was, in the Company's current context, the best indicator for the inventory value of the securities held.

With Parrot SA's shareholders' equity determined at 176.2 M€, representing 5.8 € per share, the Company recorded a reversal of provisions for the depreciation of securities, current accounts and receivables relating to Parrot Drones for 76.9 M€. The net value of the securities and current accounts was 115 M€ at December 31, 2020.

2.3.3.4. Receivables

Trade receivables are subject to a provision for depreciation, estimated in line with the risk of non-collection based on a case-by-case analysis and taking any credit insurance facilities into consideration.

2.3.3.5. Foreign currency transactions

Transactions in foreign currencies are converted into euros based on the exchange rate in force on the date of the transaction. Assets and liabilities denominated in foreign currencies on the reporting date are converted at the exchange rate in force on the reporting date. Any exchange differences resulting from such operations are recorded under translation gains for unrealized exchange losses and translation liabilities for unrealized exchange gains. A provision for contingencies and liabilities is booked for translation gains.

Under ANC Regulation 2015-05 §3.1.3, foreign currency translation differences linked to trade receivables and payables are recorded in the accounts under other expenses or other operating income. A provision for foreign exchange losses must be recorded in operating provisions if this concerns a commercial operation.

2.3.3.6. Cash and cash equivalents and transferable securities

Cash and cash equivalents comprise cash in hand and demand deposits.

Transferable securities are valued at their acquisition cost. When the inventory value is lower than the gross value, a provision for depreciation is recorded for the amount of any difference.

2.3.3.7. Provisions for liabilities and charges

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

► Provisions for bonus shares awarded

Bonus shares are only definitively vested after the end of a two-year period and provided that beneficiaries are still employed by the Parrot Group on this date. The fair value retained for bonus shares is the Parrot stock price on the day they are awarded to staff as decided by the Appointments and Compensation Committee.

A provision for bonus shares awarded is recorded in line with a depreciation schedule spread over two from the allocation date decided on by the Board of Directors.

► Provisions for restructuring

In connection with the restructuring, Parrot SA recorded a reversal of provisions for liabilities for 100 k€, corresponding primarily to the compensation, support measures and associated management costs. No new provisions were recorded during the year.

► Provisions for retirement benefits

Provisions for retirement benefits are recorded in the corporate accounts, with commitments valued in line with the national wage bargaining agreement for the metalworking industry, based on the following assumptions:

- Retirement age for executive status staff: 65
- Retirement age for non-executives: 63
- Rate of wage growth: 3.40%
- Discount rate: 0.81%
- Payroll tax rate: 45%

These provisions totaled 256 K€ at December 31, 2020, compared with 233 K€ in 2019.

2.3.3.8. Revenues

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

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

The transfer pricing agreement is based on a “cost plus 5%” approach, except for the transfer costing of rent, facilities management services and bonus shares. Other income primarily concerns transfer costing for brand royalties to Parrot Drones for 262 K€.

2.3.3.9. Related-party transactions

Transactions carried out with related parties have been subject to an analysis making it possible to conclude that they are consistent with normal market operations.

2.3.3.10. Taxation

During the year, the Company recorded a tax loss at the common law rate, with no corporate income tax recorded.

The Company has opted for the tax consolidation system within the Parrot Group, based on the agreement signed on April 21, 2015.

2.3.4. Assets

2.3.4.1. Fixed assets

	Gross value at year-start	Acquisitions, mergers, creations,	Reduction through disposals and	Transfer	Gross value at year-end

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		transfers	retirements		
<i>INTANGIBLE ASSETS</i>					
Patents and related rights	3,145,368	-	-1,752,135	-	1,393,233
Goodwill	7,622	-	-	-	7,622
Other intangible assets	1,304,040	3,800	-399,475	-	908,365
Current intangible assets	-	-	-	-	-
Total intangible assets	4,457,030	3,800.00	-2,151,609	-	2,309,220
<i>PROPERTY, PLANT AND EQUIPMENT</i>					
Technical facilities, plant and equipment	-	-	-	-	-
Other property, plant and equipment	6,029,984	66,103	-	-	6,096,087
Transport equipment	-	-	-	-	-
Office equipment and furniture	2,805,339	107,586	-	-	2,912,924
Fixed assets under construction	-	-	-	-	-
Total property, plant and equipment	8,835,323	173,689	-	-	9,009,011
<i>NON-CURRENT FINANCIAL ASSETS</i>					
Equity securities	192,427,363	216,966,674	-850,000	-	408,544,037
Equity interest-related receivables	47,885,318	-	-47,885,318	-	-
Other non-current financial assets	290,926	4,064	-12,630	-	282,360
Total non-current financial assets	240,603,607	216,970,738	-48,747,948	-	408,826,397
General total	253,895,959	217,148,227	-50,899,557	-	420,144,628

During the year, the Company wrote off 2,152 K€ of intangible assets, primarily concerning rights and licenses whose use had become obsolete. These fixed assets were fully depreciated under operating expenses.

The increase in equity securities is linked primarily to the capital increase carried out by Parrot Drones in December 2020; this operation is based on incorporating part of the existing receivables for 214,947 K€, including 47,885 K€ of receivables relating to equity interests and 167,062 K€ of current accounts.

► **Depreciation and amortization**

	Value at year-start	Provisions	Reversals	Value at year-end	Straight-line
<i>INTANGIBLE ASSETS</i>					
Concessions, patents and related rights	3,135,631	9,604	1,752,135	1,393,100	9,604
Goodwill	-	-	-	-	-
Other intangible assets	1,296,859	5,795	399,475	903,179	5,795
Total intangible assets	4,432,490	15,398	2,151,609	2,296,279	15,398
<i>PROPERTY, PLANT AND EQUIPMENT</i>					
Technical facilities, plant and equipment	-	-	-	-	-
Other property, plant and equipment	5,858,712	105,316	-	5,964,028	105,316
Transport equipment	-	-	-	-	-
Office equipment and furniture	2,514,706	190,285	-	2,704,991	190,285
Fixed assets under construction	-	-	-	-	-
Total property, plant and equipment	8,373,418	295,601	-	8,669,019	295,601
<i>NON-CURRENT FINANCIAL ASSETS</i>					
Equity securities	189,818,874	135,191,000	771,050	324,238,824	-
Equity interest-related receivables	47,885,318	-	47,885,318	-	-
Other non-current financial assets	-	-	-	-	-
Total non-current financial assets	237,704,191	135,191,000	48,656,368	324,238,824	-
General total	250,510,099	135,501,999	50,807,977	335,204,122	310,999

The provisions for the impairment of securities primarily concern the depreciation of Parrot Drones securities for 304 M€ and Parrot Iberia securities for 20 M€.

Following the capital increase for its subsidiary Parrot Drones, based on incorporating long-term debt and current

account liabilities, a reversal was recorded for the full amount of long-term debt, representing a total of 48 M€.

2.3.4.2. Subsidiaries and equity interests

Subsidiaries and equity interests	Share capital	Shareholders' equity excl. earnings for year	Capital stake (%)	Net book value of securities		
				Gross	Provisions	Net
PARROT GmbH (Germany)	25,000	1,308,369	100%	25,000	-	25,000
PARROT SRL (Italy)	10,000	380,601	100%	10,000	-	10,000
PARROT UK Ltd (UK)	111	1,143,854	100%	145	-	145
PARROT IBERIA	63,036	2,891,125	100%	22,996,160	20,510,000	2,486,160
PARROT AUSTRALIA	6,291	594,098	100%	8,236	-	8,236
PARROT DRONES	60,627,825	47,943,674	100%	383,484,498	303,728,824	79,755,674
SOCIÉTÉ DE LOGICIELS SAS	-	-	25%	2,020,000	-	2,020,000
Total				408,544,038	324,238,824	84,305,215

Subsidiaries and equity interests	Loans and advances			Revenues	Earnings	Dividends received
	Gross	Provisions	Net			
PARROT GmbH (Germany)	-	-	-	294,887	26,367	-
PARROT SRL (Italy)	27,355	-	27,355	-	-26,425	-
PARROT UK Ltd (UK)	-	-	-	301,870	60,039	-
PARROT IBERIA	-	-	-	-	-9,846	-
PARROT AUSTRALIA	-	-	-	52,086	12,521	-
PARROT DRONES	46,215,809	-	46,215,809	15,866,913	-12,110,380	-
SOCIÉTÉ DE LOGICIELS SAS	-	-	-	ND	ND	-
Total	46,243,164	-	46,243,164	16,515,756	-12,047,724	-

In 2020, three subsidiaries were deconsolidated: Parrot Japan KK was liquidated during the first half of 2020; Chez Parrot SARL and Parrot Invest 4 EURL were subject to a transfer of all of their assets and liabilities. The Company also acquired a 25% interest in a software company for 2,020 K€.

Under loans and advances, the amount of 46,243 K€ relates to current account receivables.

During 2020, Parrot SA did not receive any dividends from its subsidiaries.

The figures from the various subsidiaries are expressed in foreign currencies and converted into euros using the year-end exchange rate, with the exception of income and expenses, which are converted into euros based on an average rate for the year.

2.3.4.3. Change in transferable securities

	Number	Unit price	Unrealized gain/loss	Total
SG Monétaire plus (FR0011047513)	416	89	4,404	37,168
Sub-total: Investments	-	-	4,404	37,168

	Number	Buyback value	Depreciation	Net value
Treasury shares awarded	188,526	2,050,070	-	2,050,070
Treasury shares to be awarded	-	-	-	-
Liquidity agreement	-	-	-	-
Sub-total: Treasury shares	188,526	2,050,070	-	2,050,070
Total transferable securities				2,087,238

2.3.4.4. Share buyback program

	Remaining shares at Dec 31, 19	Shares in process of being awarded in	Value €	Shares cancelled in 2019	Value €	Shares awarded served in 2020	Value €

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		2019					
Buyback program no.12	17,171	-	260,087	-	-	-	-
Buyback program no.13	344,124	50,211	4,322,036	-	-	-209,263	-2,628,245
Buyback program no.14	36,494	-	96,192	-	-	-	-
Buyback program no.15	-	-	-	-	-	-	-
Total	397,789	50,211	4,678,315	-	-	-209,263	-2,628,245
	Share buyback	Value €	Shares awarded unserved	Shares remaining	Shares in process of being awarded in 2020	Value €	
Buyback program no.12	-	-	-	17,171	-	260,087	
Buyback program no.13	-	-	-	134,861	50,211	1,693,791	
Buyback program no.14	-	-	-	36,494	-	96,192	
Buyback program no.15	-	-	-	-	269,263		
Total	-	-	-	188,526	319,474	2,050,070	

2.3.4.5. Liquidity agreement

The liquidity agreement was terminated in June 2019.

2.3.4.6. Accounts receivable

Accounts receivable included in the following balance sheet items	Amount
Non-current financial assets	-
Equity interest-related receivables	-
Other non-current financial assets	-
Receivables	1,333,644
Trade receivables and related	32,927
Staff & social organizations	-
State	457,286
Sundry receivables & other receivables	843,431
Transferable securities	-
Cash and cash equivalents	-
Accrued interest receivable	-
Total	1,333,644

2.3.4.7. Prepaid income and expenses

	Expenses	Income
Operating income or expenses	61,151	-
Financial income or expenses	-	-
Non-recurring income or expenses	-	-
Total	61,151	-

This concerns expenses recorded during the financial year, although with part recorded in advance since they concern the following financial year.

2.3.5. Liabilities

2.3.5.1. Change in shareholders' equity

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	Dec 31, 2019	Change	Dec 31, 2020
Share capital	4,599,259	46	4,599,305
Issue premium	331,678,139	11,379	331,689,518
Legal reserve	203,512	-	203,512
Retained earnings	-227,476,830	4,218,430	-223,258,399
N-1 earnings	4,218,430	-4,218,430	-
N earnings	-	62,929,893	62,929,893
Total	113,222,511	62,941,317	176,163,828

The change in shareholders' equity during 2020 primarily reflects the allocation of the loss for the year ended December 31, 2019 to retained earnings and the recognition of earnings for 2020.

2.3.5.2. Share capital

	Number	Par value
1-Shares or rights comprising the capital at year-start	30,174,681	0.1524
2-Shares or rights issued during the year	300	0.1524
3-Shares or rights cancelled during the year	-	0.1524
4-Shares or rights comprising the capital at year-end	30,174,981	0.1524

2.3.5.3. Stock options and bonus shares

Stock options and bonus shares at December 31, 2020:

► Stock options

Board of Directors decision date	Situation at end-2019	Quantity exercised in 2020	Quantity expired in 2020	New plans in 2020	Situation at end-2020	Exercise limit date
Feb 20, 13	4,317		-4,317		-	Mar 8, 2020
May 15, 13	11,512		-11,512		-	May 31, 20
Total	15,829	-	-15,829	-	-	

► Bonus shares

Board of Directors decision date	Situation at end-2019	Quantity exercised in 2020	Quantity expired in 2020	New plans in 2020	Situation at end-2020	Exercise limit date
Mar 14, 18	179,500	-180,500	1,000	-	-	Mar 30, 20
May 24, 18	10,500	-10,238	-262	-	-	May 24, 20
Jul 31, 18	23,000	-18,525	-4,475	-	-	Jul 31, 20
Jan 28, 19	215,000	-	-	-	215,000	Mar 1, 21
Mar 13, 19	20,000	-	-	-	20,000	Mar 31, 21
Jul 29, 20	-	-		273,000	273,000	Jul 29, 22
Total	448,000	-209,263	-3,737	273,000	508,000	

2.3.5.4. Provisions

Provisions	At year-start	Increase	Reversal of provisions used	Reversal of provisions unused	At year-end
For supplier commitments	-	-	-	-	-
For customer warranties	-	-	-	-	-
For commercial disputes	-	-	-	-	-
For exchange rate loss	2,563,071	-	-	2,563,071	-
For depreciation schedule on shares distributed	-	-	-	-	-

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For depreciation schedule on Macron Act shares	2,942,756	1,206,229	1,986,133	121,042	2,041,810
For Chez Parrot financial risks	716,313	-	-	716,313	-
For Parrot Drones financial risks	-	-	-	-	-
For retirement benefits	233,000	23,000	-	-	256,000
For employment tribunal disputes	40,000	-	24,478	5,522	10,000
For restructuring	100,000	-	-	100,000	-
For tax	-	-	-	-	-
Provisions for liabilities and charges	6,595,139	1,229,229	2,010,611	3,505,948	2,307,810
For intangible assets	-	-	-	-	-
For property, plant and equipment	-	-	-	-	-
For fixed assets: equity-consolidated securities	-	-	-	-	-
For equity securities	189,818,874	135,191,000	--	771,050	324,238,824
For other non-current financial assets	47,885,318	-	-	47,885,318	-
For current accounts	164,157,908	-	-	164,157,908	-
For inventories and work-in-progress	-	-	-	-	-
For trade receivables	-	-	-	-	-
For impairment of transferable securities	-	-	-	-	-
Provisions for depreciation	401,862,100	135,191,000	-	212,814,276	324,238,824
Total	408,457,239	136,420,229	2,010,611	216,320,224	326,546,634

2.3.5.5. Financial liabilities

	Dec 31, 20	Dec 31, 19
Convertible bonds	-	-
Borrowings and debt with credit institutions	-	-
Accrued interest payable	-	-
Cash pooling: Group advance / borrowings	-	-
Total	-	-

2.3.5.6. Accrued expenses

Accrued expenses included in the following balance sheet items:	Amounts
Convertible bonds	-
Other bonds	-
Borrowings and debt with credit institutions	-
Sundry borrowings and financial debt	-
Trade payables and related	635,142
Tax and social security liabilities	1,649,689
Liabilities on fixed assets and related	-
Accrued expenses	-
Other liabilities	77,601
Total	2,362,432

2.3.5.7. Exchange gains or losses

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2.3.6. Information on the income statement

2.3.6.1. Revenues

Breakdown by region	Amounts
France	6,875,173
Europe excluding France	-

Other countries	568,040
Total	7,443,213

2.3.6.2. Other income

Other income	Amounts
Royalties billed to Parrot Drones	261,874
Other	28,716
Total	290,590

2.3.6.3. Financial income and expenses

Financial income	Amounts
Financial income from equity interests	-
Other interest and related income	498,350
Reversal of provisions	218,200,835
Transferred expenses	-900,946
Foreign exchange gain	909,920
Capital gain on other transferable securities	18,634
Capital gain on treasury stock	-
Total	218,726,793

The reversals of provisions primarily include the reversal of depreciation for long-term liabilities and current account receivables for Parrot Drones for 48 M€ and 164 M€ respectively.

The other reversals of provisions concern:

- The reversal of foreign currency translation gains on the current account receivable and the long-term receivable for Parrot Drones denominated in USD for a total of 2,563 K€;
- The reversal concerning bonus share awards for 2,107 K€;
- The reversal for depreciation of securities, the current accounts receivable and the net position of the company Chez Parrot following the transfer of all of its assets and liabilities, for 771 K€, 80 K€ and 716 K€ respectively.

The account for transferred financial expenses includes a negative total of 901 K€. This account for transferred financial expenses is used to reclassify the amortization of bonus share awards as staff costs.

Financial expenses	Amounts
Provisions for exchange gains or losses	-
Depreciation of shares distributed (unqualified)	-
Depreciation of shares distributed under Macron Act	1,206,229
Depreciation of transferable securities	-
Depreciation of equity securities	135,191,000
Depreciation of equity interest-related receivables	-
Depreciation of treasury shares being allocated	-
Depreciation of current accounts	-
Depreciation for financial risk	-
Interest	36,104
Foreign exchange loss	14,802,431
Capital loss on treasury stock	-
Merger loss	1,570,326
Total	152,806,090

During the year, 14.6 M€ of exchange losses were recorded linked to the recapitalization of Parrot Drones, carried out by converting the long-term debt and current accounts in foreign currencies (179 M\$ and 63 MCHF).

An additional depreciation of Parrot Drones securities was recorded for 135 M€.

2.3.6.4. Non-recurring income and expenses

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Non-recurring income	Amounts
Income from disposal of asset items	400,551
Non-recurring income from previous years	-
Misc. non-recurring income	-
Reversal of provisions for non-recurring expenses	100,000
Transfer of non-recurring expenses	2,628,245
Total	3,128,796

Non-recurring expenses	Amounts
Penalties	-
Non-recurring expenses (linked to restructuring)	-
Book values of assets divested	77,950
Merger loss from the acquisition of shares issued by the Company	2,628,245
Non-recurring depreciation and provisions	-
Total	2,706,195

Non recurring income of 423 K€ was recorded. It primarily comprises the capital gain recorded on the sale of Parrot Japan KK securities for 323 K€ (401 K€ - 78 K€) and the balance for the reversal of provisions for restructuring for 100 K€.

The merger loss recorded under non-recurring expenses for 2,628 K€ corresponds to the cost of bonus shares awarded to employees during the year. This amount is reclassified as staff costs based on a transfer of expenses for the same amount.

2.3.6.5. Corporate income tax

Breakdown	Pre-tax income	Tax
Income from ordinary operations	62,507,292	-
Common law tax	-	-
Discount rate tax	-	-
Withholding tax	-	-
Taxes for foreign offices	-	-
Tax credit	-	-
Provisions for tax	-	-
Non-recurring income / loss (excluding equity interests)	422,601	-
Pre-tax income	62,929,893	-
Tax	-	-
Equity interests	-	-
Net income	-	62,929,893

2.3.6.6. Unrealized taxes

	Base	Tax
Temporarily taxable transactions	-	-
Losses carried forward	25,668,928	-
Loss for the year	15,597,872	-
Loss consumed during the year	-	-
ORGANIC tax	-	-
Unrealized capital gains on UCITS	-	-
Foreign exchange gains	-	-
Provisions for retirement benefits	256,000	-
Total	41,522,800	-
Future tax savings (based on a rate of 25%)	-	10,380,700
Total	41,522,800	10,380,700

2.3.7. Other information

2.3.7.1. Payables and receivables

Receivables	Gross amount	Under 1 year	Over 1 year
FIXED ASSETS			
Equity interest-related receivables	-	-	-
Loans	-	-	-
Other non-current financial assets	282,360	38,625	243,735
Total	282,360	38,625	243,735
CURRENT ASSETS			
Advances and deposits paid on orders	2,851	2,851	
Bad or disputed receivables	-	-	-
Other trade receivables	122,147	122,147	-
Receivables representative of loaned securities	-	-	-
Staff and related	161	161	-
Social security and related	4,716	4,716	-
State - corporate income tax	7,735,520	182,575	7,552,945
State - value-added tax	173,826	173,826	-
State - other taxes, duties and related	502,840	502,840	-
Group and related	54,216,599	-	54,216,599
Sundry debtors	965,508	965,508	-
Total	63,724,169	1,954,624	61,769,544
Prepaid expenses	61,151	61,151	-
Total	64,067,679	2,054,400	62,013,279

Other non-current financial assets exclusively concern rental security deposits.

The tax receivables (State – corporate income tax) primarily concern the research tax credit for the year for 4,081 K€ and the portion of research tax credits not financed for previous years: 183 K€ for 2017, 352 K€ for 2018 and 3,120 K€ for 2019.

The Group receivables primarily concern the current account receivables on Parrot Drones for 54,189 K€. These receivables are classified as more than one year due to the financial support granted to Parrot Drones.

Payables	Gross amount	Under 1 year	1 to 5 years	Over 5 years
Convertible bonds	-	-	-	-
Borrowings from credit institutions:	-	-	-	-
Sundry borrowings and financial debt	-	-	-	-
Advances and deposits received on current orders	-	-	-	-
Trade payables and related	810,380	810,380	-	-
Staff and related	1,132,789	1,132,789	-	-
Social security and related	793,203	793,203	-	-
Corporate income tax	-	-	-	-
Value-added tax	199,825	199,825	-	-
Surety bonds	-	-	-	-
Other taxes and related	26,187	26,187	-	-
Fixed asset payables and related	-	-	-	-
Group and related	8,104,488	-	8,104,488	-
Other liabilities	206,498	206,498	-	-
Debt representative of borrowed securities	-	-	-	-
Prepaid income	-	-	-	-
Total	11,273,369	3,168,881	8,104,488	-

The Group liability concerns the current account liability with:

- Parrot Drones for 7,973 K€
- Airinov for 131 K€

Other liabilities primarily concern the liability with Parrot Faurecia Automotive for 129 K€.

2.3.7.2. Off-balance sheet commitments

The main off-balance sheet commitments at December 31, 2020 are as follows:

- Future payment commitments relating to operating lease agreements represent 649 K€.
- Parrot SA has given financial support to its subsidiary Parrot Drones.
- A parent company guarantee for USD 2,236,736 was signed on January 29, 2016 with the company Matrix Partners Management Services LP, guaranteeing rental commitments for the American subsidiary Parrot Inc. At December 31, 2020, the off-balance sheet commitment for this agreement represented 1.2 M€.

2.3.7.3. Retirement benefits

Main assumptions	2020	
Discount rate	0.81%	
Inflation rate	1.80%	
Rate of wage growth	3.40%	
Mortality tables	INSEE TH/TF 14-16	
Retirement approach	Voluntary	
Retirement age	Executive-grade staff	Non-executives
Turnover		
Aged 25 or less	30.00%	26.00%
25 - 29 years old	24.00%	20.00%
30 - 34 years old	14.00%	13.00%
35 - 39 years old	8.00%	7.00%
40 - 44 years old	4.50%	4.50%
45 - 49 years old	2.00%	2.00%
Aged 50 and over	0.00%	0.00%
Employer payroll taxes rate	45.00%	45.00%
<i>Valuation method: Projected unit credits with prorated entitlements at term</i>		
Change in provisions at Dec 31, 2020		
(Provisions) / Amount paid in advance at start of period	233,000	
Income / expense for 2020	23,000	
Benefits paid by employer		
(Provisions) / Amount paid in advance at Dec 31, 2020	256,000	

2.3.7.4. Headcount

Headcount	2020	2019
Headcount at December 31	36	35
Average headcount	37	42

2.3.7.5. Executive compensation

The total compensation awarded to the administrative and management bodies totaled 475 K€.

2.3.7.6. Statutory auditors' fees

Elements / Firms	BMA	EY
Accounts certification	65,000	82,000
<i>Services other than accounts certification:</i>	-	-

Services other than accounts certification required by legislation and regulations	-	-
Other services other than accounts certification	15,000	-
Total	80,000	82,000

3. Audit of historical financial information

3.1. Statutory auditors' report on the financial statements for 2020

The reports presented below in full can also be consulted on and downloaded from www.parrot.com/corporate. Detailed information concerning the statutory auditors is provided in 2.1. "Incumbent and deputy statutory auditors".

3.1.1. Statutory auditors' report on the consolidated financial statements for 2020

Opinion

In accordance with the terms of our appointment by your general meetings, we have audited Parrot's consolidated financial statements for the year ended December 31, 2020, as appended to this report.

We certify that the consolidated financial statements present fairly, in all material respects, the results of operations for the past year, as well as the financial position, assets and liabilities at year-end for all the parties and entities included in the basis for consolidation, in accordance with IFRS, as adopted in the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for our opinion

► Audit standards

We conducted our audit in accordance with the industry standards applicable in France. We believe that the elements we have collected are sufficient and appropriate to form a basis for our opinion.

Our responsibilities under these standards are indicated in the section on "Statutory auditors' responsibilities relating to the auditing of the consolidated financial statements" in this report.

► Independence

We conducted our audit in accordance with the independence rules provided for in the French Commercial Code (*Code de commerce*) and the French Code of Ethics (*Code de déontologie*) for Statutory Auditors, for the period from January 1, 2020 to the date of our report, and, in particular, we did not provide any services prohibited by Article 5(1) of Regulation (EU) no. 537/2014.

Basis for our opinions - Key audit matters

Due to the global crisis related to the Covid-19 pandemic, the financial statements for this period have been prepared and audited under specific conditions. This crisis and the extraordinary measures taken within the context of the health emergency had a number of consequences for businesses, particularly in terms of their activity and financing, as well as increased uncertainty in their outlook for the future. Some of these measures, such as travel restrictions and teleworking, also had an impact on companies' internal organization and the conditions for conducting audits.

It is in this complex and evolving context that, in accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code relating to the justification of our assessments, we inform you of the key audit matters relating to the risks of material misstatement that, in our professional judgment, were the most significant in our audit of the consolidated financial statements for the period, as well as how we addressed those risks.

These matters were addressed as part of our audit of the consolidated financial statements as a whole, and therefore contributed to the opinion we formed as expressed above. We do not provide a separate opinion on specific items of the consolidated financial statements.

► Depreciation of inventories

Risk identified	Our response
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<p>Inventories of finished products are recorded on the consolidated balance sheet at December 31, 2020 for a gross total of 18 M€ and a net total of 10.2 M€.</p> <p>As indicated in the “Inventories” section of Note 3 “Accounting methods and rules” to the consolidated financial statements, inventories are valued at the lower of their cost or their net realizable value. The net realizable value is the estimated net sales price for the subsequent period for each distribution platform (EMEA, Americas, Asia) less the estimated costs required for carrying out the sale.</p> <p>More specifically, end-of-life products and returned or damaged products are written off in full.</p> <p>Products that are in a sellable condition are subject to statistical depreciation on a case-by-case basis in line with the slow-moving approach.</p> <p>The success of the Group’s products, particularly for consumer activities, depends on the Group’s ability to offer innovative products that are aligned with consumers’ expectations. The market’s acceptance of new products is decisive for determining sales prices. If the Group’s offering is not in line with market demands, there is a risk that the net realizable value of these products may be lower than their costs. An error with the assessment of the net realizable value of the products would lead to an error with the assessment of provisions for the depreciation of inventories.</p> <p>We have therefore considered this to be a key audit matter because the estimated net sales prices for the subsequent period mentioned above and the potential provisions resulting from this are inherently dependent on the Group’s assumptions, estimates or assessments concerning the level of prices at which it will be able to clear its stock.</p>	<p>Our work involved assessing the data and assumptions used by management to determine the provisions reducing inventories to their net realizable value.</p> <p>We have:</p> <ul style="list-style-type: none"> • reviewed the procedures put in place to identify items whose realizable value would be lower than their weighted average unit cost; • taken note of the procedures and controls put in place to identify damaged or malfunctioning items; • compared, based on samples, the cost of inventory items based on the future net sales prices retained by management for the 2021 budget, approved by the Board of Directors on March 17, 2021, in order to analyze the assessment of the amount of the impairment; • compared the methodology for calculating the slow-moving provision with the statistical method defined by the group; • analyzed the outlook for clearing products estimated by management based on past performance and the budget to assess the consistency of the resulting amounts of impairments.
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Specific verifications

In accordance with industry standards in France, we also carried out the specific procedures required under the legislation and regulations in force to verify the information given in the Board of Directors’ management report.

We do not have any observations to make regarding the true and accurate nature of this information or its application for the consolidated financial statements.

We certify that the consolidated sustainability performance report covered by Article L. 225-102-1 of the French commercial code is included in the Group’s management report, while noting that, in accordance with Article L. 823-10 of this Code, we have not verified the information contained in this report in terms of its accuracy or its consistency with the consolidated financial statements.

Other verifications or information pursuant to legal and regulatory requirements

► Presentation of the consolidated financial statements to be included in the annual financial report

In accordance with industry standards for our engagement as statutory auditors relating to the annual and consolidated financial statements presented based on the European Single Electronic Format, we also checked compliance with this format defined by Commission Delegated Regulation (EU) 2019/815 of December 17, 2018 regarding the presentation of the consolidated accounts to be included in the annual financial report referred to in Section I of Article L. 451-1-2 of the French monetary and financial code (Code monétaire et financier), drawn up under the responsibility of the chairman. As this concerns consolidated accounts, our work included checking the compliance of the labeling of these accounts with the format defined by the aforementioned regulation.

On the basis of our work, we conclude that the presentation of the consolidated financial statements to be included in

the annual financial report is compliant with, in all material aspects, the European Single Electronic Format.

It is not our responsibility to check that the consolidated financial statements that will be effectively included by your company in the annual financial report filed with the AMF correspond to those used as a basis for our work.

► Appointment of the statutory auditors

We were appointed as the statutory auditors of Parrot by your general meetings on June 13, 2019 for BM&A and June 6, 2012 for ERNST & YOUNG et Autres.

At December 31, 2020, BM&A was in the second consecutive year of its engagement, while ERNST & YOUNG et Autres was in its ninth year.

Responsibilities of management and corporate governance representatives in relation to the consolidated financial statements

Management is responsible for preparing consolidated financial statements that present a true and accurate image in accordance with IFRS, as adopted in the European Union, in addition to putting in place the internal control arrangements that it considers necessary to prepare the consolidated accounts without any material misstatements, whether these result from fraud or errors.

When preparing the consolidated financial statements, management has a responsibility to assess the company's capacity to continue operating, to present the information required relating to the continuity of operations in these accounts, if applicable, and to apply the accounting conventions for continuous operations unless there are plans to liquidate the company or cease its activities.

The audit committee has a responsibility to monitor the process for preparing financial information and to monitor the efficiency and effectiveness of the internal control and risk management systems, in addition to, if applicable, the internal audit arrangements, with regard to the procedures for the preparation and processing of accounting and financial information.

The consolidated financial statements have been approved by the Board of Directors.

Statutory Auditors' responsibilities relating to the auditing of the consolidated financial statements

► Audit approach and objective

It is our responsibility to prepare a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements may be the result of fraud or errors and are considered to be material when they can reasonably be expected, taken individually or collectively, to potentially influence the economic decisions taken by users of the accounts based on them.

As indicated in Article L. 823-10-1 of the French commercial code, our mission to certify the accounts does not involve guaranteeing the viability or quality of your company's management.

Based on an audit carried out in accordance with the industry standards applicable in France, the Statutory Auditors exercise their professional judgement throughout this audit.

In addition:

- They identify and assess the risks that the consolidated financial statements include material misstatements, that these are the result of fraud or errors, define and put in place audit procedures faced with these risks, and collect the elements that they consider sufficient and appropriate to form a basis for their opinion. The risk of a material misstatement resulting from fraud not being detected is higher than for a material misstatement resulting from an error, because fraud may imply collusion, falsification, voluntary omissions, misrepresentation or a bypassing of internal control arrangements;
- They review the relevant internal control arrangements for the audit in order to define audit procedures that are appropriate under the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control;
- They assess the appropriate nature of the accounting methods applied and the reasonable nature of any accounting estimates made by management, in addition to the information concerning them provided in the consolidated financial statements;
- They assess the management team's appropriate application of the accounting convention for continuous operations and, depending on the elements collected, whether or not there is any significant uncertainty relating to events or circumstances that might call into question the company's capacity to continue operating. This assessment is based

on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If they conclude that there is any significant uncertainty, they draw the attention of readers of their report to the information provided in the consolidated financial statements relating to this uncertainty or, if this information is not provided or is not relevant, they issue their certification with reservations or refuse to certify the accounts;

- They assess the overall presentation of the consolidated financial statements and evaluate whether the consolidated financial statements accurately reflect the underlying events and operations;
- With regard to the financial information for parties or entities included in the basis for consolidation, they collect the elements that they consider sufficient and appropriate to express an opinion on the consolidated accounts. The Statutory Auditors are responsible for the management, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed thereon.

► Report for the audit committee

We provide a report to the audit committee which notably presents the scope of the audit work and the program of work carried out, as well as the conclusions based on our work. If applicable, we also bring to their attention any significant shortcomings with internal control that we have identified with the procedures applied for the preparation and processing of accounting and financial information.

The elements provided in the report for the audit committee include the risks of material misstatements which we considered to be most significant for the audit of the consolidated financial statements and which therefore constitute the key audit matters, which it is our responsibility to present in this report.

We also provide the audit committee with the declaration required under Article 6 of EU Regulation 537/ 2014 confirming our independence, in accordance with the rules applicable in France as notably set by Articles L. 822-10 to L. 822-14 of the French commercial code and in the professional code of conduct for statutory auditors. If applicable, we conduct discussions with the audit committee to review the risks concerning our independence and any safeguard measures adopted.

Paris and Paris-La Défense, April 14, 2021

The Statutory Auditors

BM&A		ERNST & YOUNG et Autres
Marie Cécile Moinier	Eric Seyvos	Pierre Bourgeois

3.1.2. Statutory auditors' report on the corporate financial statements for 2020

1. Opinion

In accordance with the terms of our appointment by your general meetings, we have audited Parrot's annual financial statements for the year ended December 31, 2020, as appended to this report.

We certify that the annual financial statements present fairly, in all material respects, the financial position of the company, its assets and liabilities, and the results of its operations for the year ended in accordance with the accounting rules and principles in force in France.

The opinion presented above is consistent with the content of our report for the audit committee.

2. Basis for our opinion

Audit standards

We conducted our audit in accordance with the industry standards applicable in France. We believe that the elements we have collected are sufficient and appropriate to form a basis for our opinion.

Our responsibilities under these standards are indicated in the section on "Statutory auditors' responsibilities relating to the auditing of the annual financial statements" in this report.

Independence

We conducted our audit in accordance with the rules governing us in terms of independence for the period from January 1, 2020 to the date of our report. More specifically, we have not provided any services forbidden by Article 5, Paragraph 1, of EU Regulation 537/2014.

3. Observation

Without calling into question the opinion expressed above, we would like to draw your attention to the point

presented in the note on “Non-current financial assets, related receivables and partner current accounts” in the notes to the annual financial statements concerning the conditions for measuring the value-in-use of Parrot Drones’ equity securities at December 31, 2020.

4. Basis for our opinions – Key audit matters

Due to the global crisis related to the Covid-19 pandemic, the financial statements for this period have been prepared and audited under specific conditions. This crisis and the extraordinary measures taken in the context of the health emergency had a number of consequences for businesses, particularly in terms of their activity and financing, as well as increased uncertainty in their outlook for the future. Some of these measures, such as travel restrictions and teleworking, also had an impact on companies’ internal organization and the conditions for conducting audits.

It is in this complex and evolving context that, in accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code relating to the justification of our assessments, we inform you of the key audit matters relating to the risks of material misstatements which, in our professional judgment, were the most significant in our audit of the annual financial statements, as well as how we addressed those risks.

We determined that there were no key audit matters to include in our report.

5. Specific verifications

In accordance with industry standards in France, we also carried out the specific verifications required under French legislation and regulations.

Information provided in the management report and other documents concerning the financial position and annual financial statements for shareholders

We do not have any observations to make regarding the accuracy of the information given in the Board of Directors’ management report and in the other documents provided to shareholders concerning the financial position and annual financial statements, or its consistency with the annual financial statements.

We certify that the information provided concerning terms of payment in accordance with Article D. 441-6 of the French Commercial Code is accurate and consistent with the annual financial statements.

Corporate governance report

We certify that the Board of Directors’ corporate governance report contains the information required by Articles L. 225-37-3, L. 225-10-09 and L.225-10-10 of the French Commercial Code.

With regard to the information provided in accordance with Article L.22-10-09 of the French commercial code concerning the compensation and benefits paid to corporate officers, as well as the commitments made in relation to them, we have checked that it is consistent with the accounts or with the data used to prepare these accounts and, as relevant, with the elements collected by your company from the consolidated companies that it controls. On the basis of this work, we certify that this information is true and accurate.

With regard to the disclosures concerning items that your Company considered likely to have an impact in the event of a public takeover or exchange offer, provided in accordance with Article L. 22-10-11 of the French Commercial Code, we have checked their consistency with the underlying documents provided to us. On the basis of this work, we do not have any observations to make regarding this information.

Other information

In accordance with French law, we ensured that the management report contained the various disclosures required concerning the acquisition of interests and control, as well as the identity of shareholders and voting rights.

6. Other verifications or information pursuant to legal and regulatory requirements

Presentation of the annual financial statements to be included in the annual financial report

In accordance with industry standards for our engagement as statutory auditors relating to the annual and consolidated financial statements presented based on the European Single Electronic Format, we also checked compliance with this format defined by Commission Delegated Regulation (EU) 2019/815 of December 17, 2018 regarding the presentation of the annual accounts to be included in the annual financial report referred to in Section I of Article L. 451-1-2 of the French monetary and financial code (Code monétaire et financier), drawn up under the responsibility of the chairman and CEO.

On the basis of our work, we conclude that the presentation of the annual financial statements to be included in the annual financial report is compliant with, in all material aspects, the European Single Electronic Format.

It is not our responsibility to check that the annual financial statements that will be effectively included by your company in the annual financial report filed with the AMF correspond to those used as a basis for our work.

Appointment of the Statutory Auditors

We were appointed as Parrot's statutory auditors by your general meeting on June 6, 2012 for ERNST & YOUNG et Autres and your general meeting on June 13, 2019 for BM&A.

At December 31, 2020, ERNST & YOUNG et Autres was in the ninth consecutive year of its engagement, while BM&A was in its second year.

7. Responsibilities of management and corporate governance representatives in relation to the annual financial statements

Management is responsible for preparing annual financial statements that present a true and accurate image in accordance with French accounting principles and rules, in addition to putting in place the internal control arrangements that it considers necessary to prepare the annual accounts without any material misstatements, whether these result from fraud or errors.

When preparing the annual financial statements, management has a responsibility to assess the Company's capacity to continue operating, to present the information required relating to the continuity of operations in these accounts, if applicable, and to apply the accounting conventions for continuous operations unless there are plans to liquidate the Company or cease its activities.

The audit committee has a responsibility to monitor the process for preparing financial information and to monitor the efficiency and effectiveness of the internal control and risk management systems, in addition to, if applicable, the internal audit arrangements, with regard to the procedures for the preparation and processing of accounting and financial information.

The annual financial statements were approved by the Board of Directors.

8. Statutory auditors' responsibilities relating to the auditing of the annual financial statements***Audit approach and objective***

It is our responsibility to prepare a report on the annual financial statements. Our objective is to obtain reasonable assurance that the annual financial statements in general are free from any material misstatements. Reasonable assurance corresponds to a high level of assurance, without however guaranteeing that an audit carried out in line with industry standards might make it possible to systematically detect any material misstatements. Misstatements may be the result of fraud or errors and are considered to be material when they can reasonably be expected, taken individually or collectively, to potentially influence the economic decisions taken by users of the accounts based on them.

As indicated in Article L. 823-10-1 of the French commercial code, our mission to certify the accounts does not involve guaranteeing the viability or quality of your Company's management.

Based on an audit carried out in accordance with the industry standards applicable in France, the statutory auditors exercise their professional judgement throughout this audit.

In addition:

- They identify and assess the risks that the annual financial statements include material misstatements, that these are the result of fraud or errors, define and put in place audit procedures faced with these risks, and collect the elements that they consider sufficient and appropriate to form a basis for their opinion. The risk of a material misstatement resulting from fraud not being detected is higher than for a material misstatement resulting from an error, because fraud may imply collusion, falsification, voluntary omissions, misrepresentation or a bypassing of internal control arrangements;
- They review the relevant internal control arrangements for the audit in order to define audit procedures that are appropriate under the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control;
- They assess the appropriate nature of the accounting methods applied and the reasonable nature of any accounting estimates made by management, in addition to the information concerning them provided in the annual financial statements;
- They assess the management team's appropriate application of the accounting convention for continuous operations and, depending on the elements collected, whether or not there is any significant uncertainty relating to events or circumstances that might call into question the Company's capacity to continue operating. This assessment is based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the Statutory Auditors conclude that a material uncertainty exists, they are required to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or are inadequate, to issue a qualified opinion or a disclaimer of opinion;

- evaluate the overall presentation of the financial statements and assess whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report for the audit committee

We provide a report to the audit committee which notably presents the scope of the audit work and the program of work carried out, as well as the conclusions based on our work. If applicable, we also bring to their attention any significant shortcomings with internal control that we have identified with the procedures applied for the preparation and processing of accounting and financial information.

The elements provided in the report for the audit committee include the risks of material misstatements which we considered to be most significant for the audit of the annual financial statements and which therefore constitute the key points from the audit, which it is our responsibility to present in this report.

We also provide the audit committee with the declaration required under Article 6 of EU Regulation 537-2014 confirming our independence, in accordance with the rules applicable in France as notably set by Articles L. 822-10 to L. 822-14 of the French commercial code and in the professional code of conduct for statutory auditors. If applicable, we conduct discussions with the audit committee to review the risks concerning our independence and any safeguard measures adopted.

Paris and Paris-La Défense, April 14, 2021

The Statutory Auditors

BM&A		ERNST & YOUNG et Autres
Marie Cécile Moinier	Eric Seyvos	Pierre Bourgeois

3.2. Other information audited by the statutory auditors

NA.

3.3. Information not audited by the statutory auditors

NA.

4. Pro forma financial information

NA.

5. Dividend policy

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

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

6. Arbitration and legal proceedings

6.1. In the United States

The Company and its subsidiaries Parrot Drones SAS and Parrot Inc. are regularly involved in patent-related proceedings in the United States (see section III. "Risk factors"). Third parties may claim that certain Group products might reproduce all or part of any patent-protected elements that they hold. In general, the Group intends to vigorously defend itself against such allegations, on the one hand by challenging the validity of the patent claims against it, and on the other hand by challenging the infringing nature of its products. The US Patent and Trademark Office (USPTO) may be asked to conduct a new review of patents that it has issued previously, which may result in the patent being fully or partially invalidated (Inter Partes Review or Ex Parte Reexamination procedures).

The Group has been involved in litigation since 2016 with QFO Labs Inc. ("QFO Labs") with Delaware District Court concerning four patents for which the basic idea involves drones replicating printed directions under remote control. The Group has disputed the validity of these patents with the US Patent and Trademark Office (USPTO), making it possible to secure the cancellation of two of the patents concerned. The Group is continuing to dispute the validity of the last two patents with Delaware District Court. Alongside the proceedings underway with Delaware District Court, QFO Labs opened proceedings with Minnesota District Court in 2017 against three of the Group's distributors for infringement. The three distributors have formally asked Parrot to compensate them in the event of any conviction. On August 17, 2018, Minnesota District Court decided to suspend the proceedings opened by QFO Labs against the Group's distributors pending the settlement of the dispute being handled by the Delaware Court. This dispute is not covered by an insurer.

6.2. In France

On January 10, 2019, the French financial markets authority (AMF) decided to open an investigation concerning the financial information and market for Parrot's securities (and any financial instruments whose price or value depends on the price or value of Parrot's securities) from January 1, 2018. This investigation is ongoing and the outcome is not yet known on the date of this document.

There are no other governmental, legal or arbitration 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 or profitability of the Company and/or the Group.

7. Significant change in the issuer's financial position since the last financial year-end

Independently from the current health crisis, for which it is not currently possible to determine accurate figures, no significant events have occurred since the year-end date of December 31, 2019 concerning the Group's financial position.

Further information is presented in section X. “Information on trends”, and in sections 1.5.5.39. “Note 39 – Post-balance sheet events” and 1.2.3.2. “Significant post-balance sheet events”.