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

2013
Reference document

This document is a free translation of the French language reference document that was filed with the French securities regulator (Autorité des marchés financiers, AMF) on May 7, 2014 under number D14-0505, in accordance with Article 212-13 of the AMF's general regulations. This English version has not been approved by the AMF. This translation has been prepared solely for the information and convenience of English speaking readers. No assurances are given as to the accuracy or completeness of this translation, and Parrot assumes no responsibility with respect to this translation or any misstatement or omission that may be contained therein. In the event of any ambiguity or discrepancy between this translation and the French reference document, the French reference document shall prevail.

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

Contents

Note to readers

K€ = thousand euros (€'000)

M€ = million euros (€'000,000)

Dates: Most dates are in English however, unless otherwise specified, the French "dd/mm/yyyy" format can be used.

This reference document was registered May 7, 2014 which is the record date for any information given with statements such as "on the filing date of this reference document" or "as on the date of the present reference document".

Parrot will not assume responsibility with respect to this translation or any misstatement or omission that may be contained therein. In the event of any ambiguity or discrepancy between this translation and the French reference document, the French reference document shall prevail.

General comments

The company Parrot is referred to as the "Company". The "Group" refers to the Company and its subsidiaries: Parrot Inc., Parrot Italia S.r.l., Parrot UK Ltd, Parrot GmbH, Parrot Asia Pacific Ltd, Parrot Trading (Shenzhen) Ltd, Parrot Iberia, S.L., Parrot Japan KK, Chez Parrot SARL, Parrot Anz Limited, senseFly S.A. and Pix4D.

Investors are invited to carefully review the risk factors presented in Section IV "Risk factors" of the present reference document before taking their investment decision. If all or part of such risks were to occur, this would have an unfavorable impact on the Group's activities, position, financial results.

This reference document presents:

- The Company's corporate financial statements for the 12-month period ended December 31, 2013, prepared in accordance with French generally accepted accounting principles;
- The Group's consolidated financial statements for the 12-month period ended December 31, 2013, prepared in accordance with international financial reporting standards (IFRS and IAS) and their interpretations, which have been adopted by the European Union at December 31, 2013.

The figures of the present reference document are expressed in "million euros" (€'000,000 / M€) or "thousand euros" (€'000 / K€), rounded off to the nearest decimal.

Historical financial information

In accordance with Article 28 of European Regulation 809/2004 of the European Commission of April 29, 2004 and with Article 212-11 of the AMF's general regulations, the present reference document includes references to the following information which readers are invited to refer to:

- For the year ended December 31, 2011: consolidated and corporate financial statements and the corresponding statutory auditors' reports presented on page 123 to 181 of Parrot's reference document filed with the AMF on April 25, 2012 under number D.12-0415.
- For the year ended December 31, 2012: consolidated and corporate financial statements and the corresponding statutory auditors' reports presented on page 135 to 184 of Parrot's reference document filed with the AMF on April .30, 2013 under number D.13-0493.

I. Responsibility for this document

1.1. Person responsible for the reference document

Henri Seydoux, Chairman and CEO

174 quai de Jemmapes – 75010 Paris

Tel: +33 1 48 03 60 60

1.2. Statement by the person responsible for the reference document

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

I certify that, to the best of my knowledge, the financial statements have been drawn up in accordance with the accounting standards applicable and faithfully reflect the assets, liabilities, financial position and earnings of the Company and all of the companies included in the basis for consolidation, and that the management report, included in this reference document (with its contents indicated in the index of headings on Page XXX), faithfully reflects the change in the business, earnings, and financial position of the Company and all the consolidated companies, as well as a description of the main risks and uncertainties faced by them.

I have received a completion letter from the statutory auditors, "Ernst & Young et Autres" and "KPMG AUDIT IS", in which they indicate that they have verified the information relating to the financial position and financial statements given in this reference document and that they have reviewed the entire reference document.

The historical financial information presented in this reference document has been reported on by the statutory auditors, as presented on Page 159 of the 2011 reference document and Page 166 of the 2012 reference document. The statutory auditors' reports on the consolidated financial statements for the years ended December 31, 2011 and December 31, 2012 do not contain any observations.

The statutory auditors' report on the consolidated financial statements for the year ended December 31, 2013 (Page XXX of this reference document) does not contain any observations.

The statutory auditors' report on the annual financial statements for the years ended December 31, 2011 (Page 180 to 181 of the 2011 reference document), December 31, 2012 (Page 184 to 185 of 2012 reference document) and December 31, 2013 (Page XXX of this reference document) do not contain any observations.

Paris, May 7, 2014

Henri Seydoux

Chairman and Chief Executive Officer

II. Statutory auditors

2.1. Incumbent statutory auditors

– KPMG AUDIT IS, represented by Mr. Eric Lefebvre
  Immeuble Le Palatin – 3 cours du Triangle – 92939 Paris La Défense Cedex - France
  Nanterre trade and company register 512 802 653

KPMG AUDIT IS was appointed as the incumbent statutory auditor at the general meeting of June 4, 2013, for six (6) financial years in replacement of KPMG SA whose mandate expired during the general meeting convened to approve the financial statements for the fiscal year ending December 31, 2012.

– ERNST & YOUNG SAS, represented by Mr. Pierre Jouanne
  1/2 place des Saisons – Paris La Défense 1 – 92400 Courbevoie - France
  Nanterre trade and company register 342 528 825

ERNST & YOUNG SAS was appointed as the incumbent statutory auditor at the general shareholders' meeting on June 6, 2012, for six (6) financial years replacing *DELOITTE Marque et Gendrot S.A.*, whose office ended during the general meeting convened to approve the financial statements for the year ended December 31, 2011.

2.2. Deputy statutory auditors

– KPMG AUDIT ID
  Immeuble Le Palatin – 3 cours du Triangle – 92939 Paris La Défense Cedex
  Nanterre trade and company register 512 802 489

KPMG AUDIT ID was appointed as the deputy statutory auditor at the general shareholders' meeting of June 4, 2013 for six (6) financial years replacing *SCP Jean Claude André et Autres* whose office ended during the general meeting convened to approve the financial statements for the year ended December 31, 2012.

– AUDITEX SAS,
  1-2 place des Saisons – Paris La Défense 1 - 92400 Courbevoie - France

Auditex SAS was appointed as the deputy statutory auditor at the general shareholders' meeting on June 6, 2012, for six (6) financial years through to the ordinary general meeting convened to approve the financial statements for the year ending December 31, 2017. This appointment was made to replace Patrick Foulon, whose term of office had ended.

2.3. Group fees for the statutory auditors and members of their network

■ Group fees for the statutory auditors and members of their networks for 2013

	KPMG				Ernst & Young			
	Euros net of tax		%		Euros net of tax		%	
	2013	2012	2013	2012	2013	2012	2013	2012
AUDITING								
Statutory auditing, certification, review of individual and consolidated accounts								
- Issuer	122 300	100 000	67%	57%	142 000	118 500	80%	58%
- Fully-consolidated subsidiaries	60 000	60 000	33%	34%	35 000	66 667	20%	32%
Other audits and services linked directly to the statutory auditing assignment								
- Issuer	-	16 500	-	9%	-	20 550	-	10%
- Fully-consolidated subsidiaries								
Subtotal	**182 300**	**176 500**	**100%**	**100%**	**177 000**	**205 717**	**100%**	**100%**
Other services provided by networks to fully-consolidated subsidiaries								
- Legal, tax, social	35 284	83 409	100%	100%	-	-	-	-
- Other	-	-	-	-	-	-	-	-
Subtotal	**35 284**	**83 409**	**100%**	**100%**	**-**	**-**	**-**	**-**
TOTAL	**217 584**	**259 909**	**100%**	**100%**	**177 000**	**205 717**	**100%**	**100%**

III. Selected financial information

The historical financial information selected by the Group and presented hereafter is extracted from the Group's consolidated financial statements for the years ended December 31 prepared under IFRS and as set out in Note 2 "Accounting rules and methods" to the consolidated financial statements. This note details the methods retained for the preparation of these consolidated accounts.

3.1. Historical financial information

This financial information must be read alongside the financial statements presented in Chapter XX au-dessous"Financial information concerning the assets, liabilities, financial position and earnings" concerning the assets, liabilities, financial position and earnings" in the present reference document. The following data are extracted from the Group's consolidated financial statements for the years ended December 31, 2011, 2012 and 2013.

3.1.1. Condensed income statement

'000 euros	2011	2012	2013	2013 / 2012 in %
Revenues	**247,673**	**280,529**	**235,150**	**-16%**
Gross margin	**131,728**	**142,883**	**118,308**	**-17%**
% of revenues	*53.2%*	*50.9%*	*50.3%*	
Income for ordinary operations (1)	**34,978**	**31,783**	**6,273**	**-80%**
% of revenues	*14.1%*	*11.3%*	*2.7%*	
Non-recurring items	-2,487	-303	-198	-34%
EBIT	**32,489**	**31,481**	**6,075**	**-81%**
% of revenues	*13.1%*	*11.2%*	*2.6%*	
Net income, Group share	**28,697**	**24,534**	**1,557**	**-94%**
% of revenues	*11.6%*	*8.7%*	*0.7%*	
Non-controlling interests	-	-224	-366	+63%

(1) Since January 1, 2011, the French research tax credit (CIR) has been reclassified and deducted against research and development costs. The research tax credit represents 5,172 K€ for FY 2011, 8,171 K€ for FY 2012 and 5,994 K€ for FY 2013.

3.1.2. Quarterly revenues

'000 euros	Q1	Q2	Q3	Q4
2013 revenues per quarter	57,438	61,811	55,415	60,485
2012 revenues per quarter	64,438	70,669	72,410	73,013
2011 revenues per quarter	57,440	64,039	54,532	71,663

3.1.3. Breakdown of revenues by product range

Considering the changes in the markets on which the Group is positioned, as well as the products designed and sold, and its operational organization, the Group's four recognized business segments at December 31, 2013 were Consumer Electronics, Automotive, Drones and Other. As a result, the Group's reporting framework is presented as follows:

- Main aggregates for each business (new reporting format)

In million euros	Consumer Electronics	Automotive	Drones	Other
Revenues	**29.5**	**162.6**	**42.1**	**1.0**
EBIT	**-5.8**	**14.3**	**0.1**	**-2.4**
% of revenues	*-19.7%*	*8.8%*	*0.4 %*	*NS*

EBIT for each segment comprises:

- Revenues for each segment;
- Production costs and operating expenditure (R&D, sales and marketing costs) for each segment;
- Allocation of costs for the functional divisions, prorated to revenues.

3.1.4. Condensed balance sheet

K€	2011	2012	2013	2013 / 2012 %
Goodwill	44,744	41,570	38,659	-7%
Non-current assets	29,059	40,837	47,120	+15%
Current assets	207,319	222,683	192,795	-13%
Total assets	**281,122**	**305,090**	**278,574**	**-9%**
Shareholders' equity	176,773	188,546	183,514	-1%
Non-controlling interests		-224	-611	+173%
Non-current liabilities	29,837	38,609	30,355	-21%
of which, long-term financial debt	24,466	18,688	11,854	-37%
Current liabilities	74,512	78,159	65,315	-16%
of which, short-term financial debt	6,263	6,329	7,595	+20%
Total liabilities	**281,122**	**305,090**	**278,574**	**-9%**

3.1.5. Condensed cash flow statement

K€	2011	2012	2013	2013 / 2012 %
Cash and equivalents - year-start	62,844	83,530	73,113	-12%
Cash flow from operations	44,926	41,218	18,690	-55%
Working capital	-4,009	-18,095	10,605	-159%
Net cash flow from operating activities	38,631	19,158	23,614	+23%
Cash flow from investment activities	-35,191	-20,344	-17,375	-15%
Cash flow from financing activities	16,001	-9,275	-23,455	+153.0%
Cash and equivalents - year-end	83,530	73,113	54,263	-26%
Other current financial assets	33,864	33,107	42,671	+29%
Net cash position	**117,394**	**106,219**	**96,934**	**-9%**

IV. Risk factors

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

4.1. Specific risks for the Group and its organization

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

The Group is organized around a "fabless" model and does not operate any manufacturing or logistics units. The manufacturing and assembly of the Group's products are performed by a limited number of subcontractors. If contractual relations are broken off or difficulties are encountered with one of these subcontractors in relation to meeting their contractual commitments, and more specifically product quality or deliveries within the timeframes agreed on, or satisfying further increases in the Group's manufacturing requirements in the future, this could notably lead to stock shortages or higher manufacturing costs for the Group and have an unfavorable impact on its business, development, earnings and financial position.

Based on the consolidated financial statements, the Group's purchases with its leading subcontractor represented around 64.2% of the Group's purchases in 2013, compared with 66.8% in 2012.

Partnerships between the Group and its manufacturing, assembly and logistics subcontractors have been built up over several years in order to accompany the Group and are subject to a contractual framework. To date, the Group has never experienced any difficulties with its subcontractors. However, the Group cannot guarantee that this will continue in the future. To limit this risk the Group continuously works on double sourcing its strategic components through a buffer stock policy implemented with the subcontractors to sustain superior reactivity.

Furthermore, manufacturing and assembly operations are carried out for the majority of the Group's products by subcontractors based in China. The legal, economic, climatic, political or geopolitical context in this region could involve risks, particularly in terms of instability. The geographical distance involved with these production sites also results in longer transport times than if they were located in Europe. Within this context, the Group could experience difficulties meeting its customers' demands in the event of delays with deliveries or failings by any of its logistics providers.

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

Although it maintains good relations with most of its commercial partners, the Group cannot guarantee the long-term viability of the various agreements entered into with its current partners beyond the term of their contracts, or compliance with contractual commitments (notably targets for sales, sales force deployment or marketing investments), nor can it guarantee that it will be able to develop the commercial partnerships needed for the development of its activities. If these risks were to occur, this could have an unfavorable impact on the Group's business, development, earnings or financial position.

The first 10 clients represented 34.0% of the consolidated revenues in 2013 compared with 41.3% in 2012.

The terms of payment usually applied vary from one country to another, but the average is around 61 days. Traditionally, the Group starts a commercial relationship with a new customer with payment on ordering, and only authorizes longer terms of payment when the commercial relationship is developing healthily and is likely to be long-term. The amount of bad debt recorded in 2013 represented 0.37% of the Group's revenues compared with 0.05% in 2012.

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

91% of the Group revenues are generated outside of France. The international deployment of the Group's activities is likely to generate new risks and difficulties due in particular to:

- Group's lack of experience in certain regions where it could expand;
- Potentially unfavorable tax impacts;
- Quantitative and pricing restrictions on import-export operations and protectionist practices and regulations favoring local businesses in certain countries;
- A potential extension of terms of payment for sales made in certain foreign countries;
- More restrictive legislation and regulations applying to the Group's products;
- Limited intellectual property protection in certain countries; and
- Political and / or economic instability in certain countries where the Group does business.

If these factors were to materialize, this would have a significant unfavorable impact on the Group's business, development, earnings or financial position.

4.1.4. The Group could face difficulties in deploying its Group products on Electronics mass retail markets

The success of the Group's products with the general public depends to some extent on their quality and reliability. Despite the Company's proven technical and technological expertise in the automotive sector, in which quality requirements are more demanding than for retail electronics, the Group cannot guarantee that its new wireless devices for mobile phones will not have any faults, will be in line with consumers' expectations, will not lead to any returns (greater than expected by the Group) and will not result in any claims against its liability.

Furthermore, the wireless devices for mobile phones are distributed in part through distribution channels on which the Group has less experience than with specialized channels for auto accessories in particular, which it has traditionally used. The significant successes achieved by the Parrot ZIK since 2012, have contributed towards more effective management of the risks relating to its new Retail products. However, the development and marketing of wireless devices for mobile phones, particularly outside of the automotive sector, involve a certain number of risks which could have an unfavorable impact on the Group's business, development, earnings or financial position.

4.1.5. Growth in the Automotive business is exposing the Group to certain constraints

In 2013, Parrot's automotive business generated 69% of the Group's revenues, representing 162.6 million euros, down 24% on 2012. The automotive business' dynamic commercial development is central to a far-reaching change which represents a significant opportunity for the Group if it is able to successfully sell its range of in-car infotainment solutions and products. Rapid progress was made with the transition to in-car infotainment in 2013. Parrot has signed its first contracts with auto manufacturer customers and the majority of the key account automotive contracts are entered into with automotive OEMs over one to four years. Under these contracts, (eight contracts at December 31, 2013), the Group must meet very high quality standards and be able to supply significant quantities of products. Parrot's shortcomings, particularly in terms of sourcing and delivery capacity and quality, could have a significant unfavorable impact on the Group's business, development, earnings or financial position.

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

The growth in the Group's sales and the global brand recognition shows that the Parrot brand is today well considered and recognized on the wireless handsfree kit market for vehicles, among manufacturers and auto equipment producers, retailers and the consumers who use them. The Group is forging ahead with efforts to raise Parrot's brand awareness with consumers, on its core business products, as well as wireless devices for mobile phones outside of the automotive sector.

The development of Parrot's brand awareness is dependent more specifically on the Group’s ability to offer end customers innovative products that are in line with their expectations, in terms of the quality of its products and its after-sales service, as well as its ability to develop attractive commercial operations in appropriate distribution channels. However, the Group cannot provide any guarantee that the efforts made to achieve this will succeed. If the Group is unable to defend and further strengthen the Parrot brand, it could notably result in a reduction in its market shares could have a significant unfavorable impact on the Group's business, development, earnings or financial position.

4.1.7. The Group is dependent on certain key executives, engineers and sales managers whose departure could adversely affect its development

The Group's success depends on the quality and experience of the members of the Company's management team, including Henri Seydoux, Chairman and Chief Executive Officer and the Company's main shareholder on the filing date for this reference document. The Company's management team has vast experience of the market in which the Group operates and the majority of the management team have been with Parrot for several years (cf. 17.1. Human resources of the present reference document). Furthermore, bonus shares and / or stock options for Company shares, contributing significantly to their loyalty. However, the Group cannot provide any guarantee that these key members of staff will continue to work within the Group.

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

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

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

On the date when this reference document was published, Henri Seydoux held 35.9% of the Company's capital and voting rights through the holding company Horizon, which he controls (cf. 15.4.1 Details of executive transactions to acquire, sell, subscribe for or exchange securities on the stock market).

In this way, with the Company's other shareholders not owning a very high interest, he could adopt all the resolutions submitted for approval by shareholders at general meetings. Henri Seydoux may in the future have a decisive influence over most of the Company's corporate decisions (e.g. payment of dividends, appointment of members of the Board of Directors, approval of financial statements or any decision to carry out significant operations for the Company) (cf. 18.3 Issuer's control).

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

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

On the filing date for this reference document, no operations to acquire, sell, subscribe for or exchange securities on the stock market had been carried out by any executives or any parties closely related to them with the exception of an asset transfer operation presented in 15.4.1 Details of executive transactions to acquire, sell, subscribe for or exchange securities on the stock market.

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

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

To date, the Company intends to use its operating cash flow to finance its business over the short and medium term. The Company does not intend to pay out any dividends to its shareholders in the near future. If the Company is considering the payment of dividends, the decision to pay such dividends and, in this case, the amount of such dividends will depend on the facts and circumstances seen when the decision is taken.

4.1.11. The company issues dilutive instruments which could have an impact on its capital

The total number of Company shares that may be issued further to the exercising of securities entitling holders to access the Company's capital at December 31, 2013 represents:

- Stock warrants: 640,671 shares, representing a potential dilution of approximately 5.06% of the Company's capital; traditionally, the Company offsets issues of stock options by cancelling treasury shares;
- Bonus shares: 143,700 shares, with no potential dilution: traditionally the company acquires its own shares on the financial market through its share buyback program authorized at the General Shareholders meetings.

Breakdown of the Company's capital structure at December 31, 2013

For further details, please refer to the following sections: 15.4.2 Securities entitling holders to access the capital, 17.2 Company founder equity warrants, stock options and bonus shares for Group staff, XVIII Main shareholders, and nNote 20 – Shareholders' equity.

4.1.12. The Group's earnings are subject to fluctuations which make them difficult to forecast

The Group's earnings may vary significantly from one quarter to the next (cf. 4.1.13), particularly since the Group is developing its products on new markets or is likely to receive significant orders from its Key Account customers. This fluctuation can make it difficult to use quarterly earnings as indicators for possible future trends, and could have an unfavorable impact on the Group's business, development, earnings or financial position.

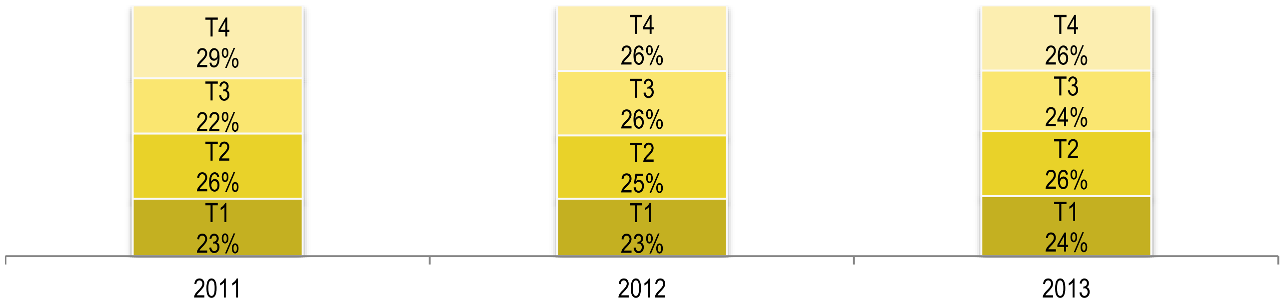
In addition to general economic factors and factors affecting companies in general, a certain number of factors which are specific to the Group and its business sector may result in quarterly variations, and more specifically:

- The variations in the US dollar ($) in relation to the euro (€), and more specifically the Group's exposure to the US dollar (cf. 4.3.1. "Foreign exchange risk" hereafter); and
- The relative weighting of each one of the products that the Group may offer, particularly due to the variable nature of the margins achieved on its various products;
- The Group's ability to reduce manufacturing costs for its products in order to maintain its margins.

4.1.13. The elements affecting the fourth quarter could have material consequences on the Group's results

The percentage of revenues generated during the 4th quarter each fiscal year is significant, particularly due to the high level of sales linked to the end-of-year holidays period. Unfavorable events arising during the 4th quarter of the year could have a disproportionate impact on earnings for the whole year in question.

During the previous three years, the breakdown of revenues for each quarter was as follows:



4.1.14. The Group could experience difficulties with integrating acquisitions

In connection with its development the Group could implement an external growth strategy and may carry out acquisitions or investments.

As such, the Group acquired in 2011 100% of the ownership of Varioptic and DiBcom, specialized respectively in digital optics and mobile digital radio-television. In 2012, the Group also acquired 60% of senseFly and 31% of Pix4D, two companies operating in the commercial drone sector.

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

The companies acquired represent additional technological components with development plans over several years. At this stage, the Group believes it is too early to comment on the specific risk related to these acquisitions.

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

The Company recorded goodwill of 38.7 M€ in its consolidated accounts further to the acquisitions of:

- a 100% stake in Inpro Tecnologià S.L. in 2006,
- a 100% stake in Waveblue LLC in 2007,
- Varioptic and DiBcom in 2011 accounted as business combination where the goodwill generated was 3.4 M€ for Varioptic and 15.0 M€ for DiBcom,
- An external growth operation in 2012, resulting in the recognition of 2 M€ of goodwill in relation to senseFly.

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

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

Furthermore, in connection with the annual impairment test, the goodwill is allocated to the cash generating units identified within the Group. At December 31, 2013, four cash generating units are defined based on the Group's organization: Automotive, Consumer Electronics, Drones and Other. As a result of these tests, the Group recognized a 2.8 million euro impairment in 2013 for the Varioptic CGU (cf. 20.2.9 Note 9 – Goodwill, for details on the impairment tests). Any subsequent changes in the Group's organization or changes to IFRS could also result in the Group recording impairments and have a significant negative impact on the Group's earnings.

4.2. Risk relating to the Group's sector

4.2.1. The Group is exposed to deteriorations in the economic environment

The Group's business is subject to the general economic conditions in its key markets. The products sold to general consumers (51% of consolidated revenues in 2013) are linked in particular to consumer spending, while the products sold to key accounts and professionals (49% of consolidated revenues in 2013) are linked to the automotive industry's performance and the growing development of the market for commercial and civil drones.

In most countries, consumer spending on electronics equipment is linked to the general economic climate and tends to decline during periods of economic crisis, unemployment, reductions in consumer spending levels and increases in cost of living and inflation.

The diversified geographical spread of the Group's activities may help mitigate the difficulties encountered on certain markets (see 20.2.4. Notes to the consolidated financial statements for 2012: Note 4 - Segment reporting of this reference document).

In this way, a global deterioration in the economic environment or the automotive and retail electronics markets could have a significant unfavorable impact on the Group's business, financial position, earnings or development.

4.2.2. The Group is dependent on the market environment for automotive and electronic products

The market for consumer and specialized electronics is closely linked to the economic environment. The deterioration in the global economic environment is increasing the Group's uncertainty in terms of assessing its potential for growth.

On the automotive market, the rate of growth is still difficult to determine and depends on various factors, including the economic environment, the penetration rate for the various in-vehicle solutions offered by Parrot and even the price of options sold by the manufacturers.

A global deterioration in the economic environment or the automotive and retail electronics markets could have an unfavorable impact on the Group's business, development, earnings or financial position.

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

Considering the specific features of the Consumer Electronics market and the automotive industry's demands, effective management of inventories and the whole supply chain is essential to the Group's commercial success. In addition, growth in activities requires the Group to organize itself in order to meet demand and manage supplies, manufacturing and sales networks.

The complexity of the management of sourcing and logistics flows could be heightened by the increase in the number of models, products and customers. In view of the seasonal nature of some of its products, particularly during the 4th quarter each year, and of the supply cycle of approximately 4 to 5 months, the Group is constantly looking to ensure that its inventory levels are appropriate. However, risks of stock shortages cannot be ruled out.

Furthermore, the Group must ensure that suitable sales teams are put in place in line with demand. These teams may be managed directly by the Group or indirectly by distributors abroad. In this way, the Group may not be able to recruit or train teams in sufficient numbers to meet the level of demand from its customers, which could have a significant unfavorable impact on its business, development, earnings or financial position.

Lastly, Parrot is positioned on various markets that are related to its traditional activities, on which the Group has identified further opportunities for growth. If these opportunities for growth were to materialize, this would only translate into additional revenues if Parrot was sufficiently prepared and notably had advanced technologies, assembly capacities, stocks of products and distribution networks in place.

4.2.4. The Group may not be in a position to cope with competition, especially if this were to increase on its markets

The markets on which the Group operates are competitive. The Group may not be able to effectively compete with its rivals, which could limit its ability to sell its products, reducing its market share.

In this way, certain players competing against the Group may have access to greater resources, particularly concerning financial, technical or commercial aspects. Acquisitions or other strategic operations carried out by such players could also weaken the Group's position in relation to the competition. If competition on the market for the Group's products was to increase, this could notably lead to the Group granting price cuts on its products. New products offered by rivals could offer benefits over the Group's products (particularly in terms of features, technology or cost), which could make the Group's products less appealing.

More specifically, on the market for new wireless devices for mobile phone (excluding the automotive world), the number of competitors is potentially higher than on the market covering handsfree products for vehicles; certain potential competitors have access to very significant financial, technical and commercial resources and could introduce new products, in direct competition with the Group's products.

Generally, the Group's competitive advantages result from its significant capacity for innovation, consolidated by its sound financial position, which enables it to be very responsive. However, if the Group was unable to cope faced with new competitors, this could have an unfavorable impact on the Group's business, development, earnings or financial position.

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

The market for the Group's products is characterized by accelerated technological change, increasingly demanding customers, frequent launches of new products and technological improvements. New products based on new or improved technologies or new communications standards could make the Group's existing products less appealing or harder to sell.

To maintain its competitive position, the Group constantly seeks to improve its existing products and develop new products in order to anticipate technological developments and satisfy the demands of its customers. If the Group does not succeed, its products could become hard to sell, which could have an unfavorable impact on its business, development, earnings or financial position.

The Group's product development process is highly complex and continuous development efforts. Any delay with the development and marketing of new or higher performance products, or any delay with adapting to technological changes could have an unfavorable impact on the Group's business, development, earnings or financial position. It seems particularly difficult to quantify and would also contribute to the disclosure of sensitive information concerning the competitive environment (cf. XII Information on trends and XIII Financial outlook).

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

Components account for the majority of costs for finished products. The Group cannot guarantee that the price of certain basic electronic components will not increase significantly. Neither can the Group guarantee that all the components will always be available under similar conditions in terms of lead-times and volumes to those seen today.

To address the sourcing risk, the Group (i) has several subcontractors for several main components and (ii) may sometimes buy phases in advance and store items at its component assemblers' sites.

However, if these risks were to occur, particularly for components subject to a strong level of demand, this could have an unfavorable impact on the Group's business, development, earnings or financial position.

4.2.7. The Group's activities are dependent on technical standards

The Group's products are based on specific technical standards and all types of connectivity, requiring choices to be made in terms of strategic technological platforms. The Group currently covers Bluetooth, Wifi and NFC connectivity, which are the recognized connectivity standards used in new technologies. However, the Group cannot guarantee that a new more effective, technology will not emerge and establish itself as a new standard and could experience delays with designing products or quality issues relating to design errors.

4.2.8. The Group's activities are dependent on regulations governing cellphone use while driving

Road safety legislation in the countries in which the Company sells its products, which more specifically forbids the use of hand-held telephones while driving, may be subject to future changes that could be unfavorable. Indeed, no guarantees can be given that any rapid or major changes to such legislation may occur, particularly with regard to forbidding any in-car phone use, even with a handsfree kit. However, the trends during the last few years have tended to encourage the use of products and solutions notably including voice recognition features and steering wheel-mounted centralized controls.

In this area, no significant changes occurred during 2013 that might indicate a less favorable context for the Company's business. Reports monitoring global legislation for in-car phone use are notably available on Wikipedia in an article entitled "Mobile phones and driving safety", which can be found online at: http://en.wikipedia.org/wiki/Mobile_phones_and_driving_safety.

4.3. Financial risks

4.3.1. Foreign exchange risk

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

In 2013, since nearly 62% of the Group's revenues, 93% of the cost of sales and around 8% of operating expenditure were denominated in the US Dollar or currencies linked to the dollar, the Group is exposed to this currency's fluctuations against the euro.

To limit the impact of changes in the US Dollar on its profitability, the Group has developed sales denominated in this currency since 2006.

At end-December 2013, 44.5% of the Group's cash and other current financial assets was in USD or related currencies.

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

■ Foreign exchange risk for accounts receivable and payable

10% appreciation in currencies' exchange rates against the euro	At December 31, 2012 P&L impact	P&L impact	At December 31, 2013 Impact of FV adjustment on reserves	Impact of FV adjustment on reserves
Trade receivables	7,540	6,646	-	-
Other equity interest-related receivables	915	769	-	-
Trade payables	-4,746	-5,483	-	-
Financial derivatives	-	-	-	-

10% appreciation in euro's exchange rates against the other currencies	At December 31, 2012 P&L impact	P&L impact	At December 31, 2013 Impact of FV adjustment on reserves	Impact of FV adjustment on reserves
Trade receivables	-6,169	-5,437	-	-
Other equity interest-related receivables	-749	-630	-	-
Trade payables	3,883	4,486	-	-
Financial derivatives	-	-	-	-

4.3.2. Rate risk

The Parrot Group's rate risk management policy involves limiting the risks of changes in rates for drawdowns on variable-rate credit lines. The Parrot Group adopts a policy which is intended to ensure that all or part of the exposure to changes in interest rates on borrowings is covered by fixed rates. The Group takes out interest-rate swaps and classes them as hedging for drawdowns on the variable-rate credit lines.

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

4.3.3. Risk relating to treasury stock and equity interests

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 up and down. These variations, which may continue, are dependent on numerous factors, such as the Group's financial performance levels, the sector's financial performance levels, technological innovations and more generally fluctuations on the stock markets.

The value of treasury stock reclassified as equity represents 12,263 K€ for 625,449 shares, with an average share price of 19.60 euros.

On the publication date for this reference document, the Group held the following interests:

- 1.60% of the company NETATMO (operation carried out in 2013, cf. 20.2.13 and 20.4.3.3);
- 9.94% of the company DELAIR TECH (operation carried out in 2013, cf. cf. 20.2.13 and 20.4.3.3);
- 31.0% of the company Pix4D (operation carried out in 2013) for 1.8 M€, recognized in other financial assets in 2012, was consolidated on an equity basis in 2013; in January 2014, this interest was increased to 50.1% (cf. 20.2.33).
- 20.9% of the company AIRINOV (operation carried out in 2014, cf. 20.2.33);
- 33.4% of the company EOS INNOVATION (operation carried out in 2014, cf. 20.2.33).

Parrot S.A.'s 20.0% interest in the company Da Fact, recorded under other financial assets, has been depreciated in full since 2012.

4.3.4. 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.

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.

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

Financial assets at December 31, 2013

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, 2013, the maximum credit risk exposure can therefore be broken down as follows:

- Trade receivables: 39.2 M€,
  in line with the Group's normal operating cycle;
- Other receivables: 31.3 M€
- Other current financial assets: 42.7 M€
- Cash and cash equivalents: 55.4 M€

In 2013, the Parrot Group's policy was to diversify its counterparty risk management by distributing investments among first-rate banking institutions and over various timeframes, in addition to regularly monitoring developments.

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

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

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

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

Financial liabilities at December 31, 2013

At December 31, 2013, financial liabilities primarily comprised:

- 11.9 M€ in non-current financial liabilities (borrowings and debt with credit institutions for 11.4 M€, and sundry borrowings and financial debt for 0.5 M€);
- 7.6 M€ in current financial liabilities (borrowings and debt with credit institutions for 7.2 M€, non-convertible bonds for 0.2 M€, and sundry borrowings and financial debt for 0.2 M€);

Non-convertible bond

The outstanding capital on the non-convertible bonds represents 213 K€ redeemable in installments through to December 31, 2014, with an interest rate indexed against the three-month Euribor.

► Sundry borrowings and financial debt

The OSEO advance received by Varioptic, initially repayable from September 2010; the repayment schedule for this zero-rate advance was redefined with the amendment dated September 28, 2010, running from September 30, 2012 to June 30, 2016. At December 31, 2013, the Oséo advance represented 534 K€, including 166 K€ under one year.

The fair value of the OSEO advance was estimated at 600 K€, factoring in the probability of advances being repaid, resulting from the probability of success with the projects funded and the discounting of cash flows based on a representative rate for the cost of debt (Euro Industrial BBB-, average maturity of five years, i.e. 4.5%).

At December 31, 2013, two conditional long-term loans are recorded for senseFly for a total of 97 K€ (government loans to support young businesses).

► Borrowings and debt with credit institutions

On July 1, 2011, Parrot S.A. set up two credit opening agreements with drawdown notices, repayable on a quarterly basis, with its banking partners - HSBC (for 15 M€) and LCL (for 20 M€) - and a revolving loan agreement with drawdown notices with Crédit Agricole Ile de France (for 10 M€), to finance all or part of its external growth. These three contracts cover a five-year period (maturing July 1, 2016) and are indexed against the three-month Euribor.

To hedge its exposure to the rate risk, and more specifically fluctuations in the three-month Euribor, against which the credit line drawdowns are indexed, the Company decided to take out two variable-fixed rate swap agreements (2.085% for 20 M€ of capital and 1.85% for 10 M€) in order to protect itself against interest rate fluctuations.

The Company also decided to apply hedge accounting for these two instruments at December 31st.

At December 31, 2013, the breakdown of borrowings and debt with credit institutions was as follows:

- Credit line drawdowns: 17 M€ (LCL: 10 M€ and HSBC: 7 M€)
- Fair value of swaps: 385 K€
- Overdraft line: 1,181 K€ (Banque Palatine)

4.3.5. Risks relating to off-balance sheet commitments

At December 31, 2013, the Company's commitments concerned future payments relating to operating leases that may not be terminated:

Year	2013 gross value (in K€)
2014	1,447
2015	1,268
2016	619
2017 and later	88
Total	**3,422**

On July 20, 2012, the company Parrot S.A. granted a joint and several guarantee to the company JADE SAS for a maximum of 0.5 M€ for the effective fulfillment by its subsidiary Chez Parrot SARL of its commitments in relation to its lease for the premises at 30 rue du Quatre-Septembre in Paris (75002).

senseFly has joint liability for 122 K€ in relation to the tenant of the former premises through to October 31, 2015.

Parrot SA has granted a guarantee to the supplier Jabil as collateral for the contractual commitments of its subsidiary Parrot Asia Pacific Ltd for 27 M$. In addition, a bank guarantee has been given for 300 K€.

At the start of the second half of 2012, 5 M€ of investment collateral were put in place as a guarantee for the agreement to open a drawdown credit facility with Crédit Agricole d'Ile de France.

At December 31, the amount of firm orders placed with our main suppliers came to a total of 21.0 M€.

4.4. Legal risks

4.4.1. Risks relating to products

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

The cover provided under the various insurance policies may not be enough to protect against these risks. In 2013, the Company did not experience any potential issues of this type.

4.4.2. Intellectual property rights

4.4.2.1. Potential lack of protection in terms of intellectual property

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

Furthermore, the Company, which has trademarks protecting the Company's name and the names of some of its products in many countries, a license to use the "*Bluetooth*™" trademark, and licenses to use the trademarks of its trading partners, cannot be certain that the validity of these trademarks will not be disputed by third parties or that it will be in a position to register new trademarks in all the countries where it would like to sell its products.

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

4.4.2.2. Potential unauthorized use of technologies developed by the Company

Third parties, particularly competitors of the Company, could infringe its patents and other intellectual and industrial property rights the on technologies it has developed. To oppose this, the Company could sue for infringement, leading to lengthy and costly proceedings.

The issuing of a patent on an invention does not guarantee either the validity of this patent or the extent of protection it may offer. Similarly, the legal effectiveness of copyright protection for software remains uncertain as long as its original nature has not been discussed during court proceedings. As such, the Company cannot be certain of the protection provided for its patents and other intellectual property rights if it attempts to cite them in legal proceedings during which their validity or scope may be challenged. Moreover, the Company could become involved in objection proceedings with national intellectual property offices with a view to preventing third parties from filing patents in infringement of its previous rights, or even the filing of patents for technologies that it considers to be non-patentable and whose appropriation would hinder its activities. The costs associated with such administrative and legal proceedings could be significant even if the Company wins the case, and the Company could find itself at a disadvantage faced with rivals which are in a better position to cover the cost of such proceedings thanks to their greater financial resources.

It is difficult to control the unauthorized use of patents or other intellectual property rights and the Company may not be in a position to prevent the unlawful appropriation or use of its patents or other intellectual property rights by third parties. Furthermore, certain jurisdictions in which the Company develops its activities may not offer intellectual property right protection that is as effective an in the European Union or the United States, and these jurisdictions may not have appropriate proceedings to enable the Company to effectively defend its rights.

If the aforementioned risks were to occur, this could have a significant unfavorable impact on the Group's business, financial position, earnings or development.

4.4.2.3. Potential shortcomings concerning confidentiality protection for certain information relating to its technology

In addition to patented technologies, the Group's business is based to a great extent on unregistered know-how, techniques, specifications, technical data and information which are only protected as long they remain secret. As a result of the "fabless" model implemented by the Group, its products are manufactured and assembled by external subcontractors which must be provided with some of this confidential information.

Although the Company protects such information through confidentiality agreements with its various partners and their staff, these agreements may not be respected and result in the Company having to take legal steps to obtain compensation for its damages. More specifically, the disclosure of such confidential information could facilitate the unlawful appropriation of the Company's technologies by a competitor, result in the loss of a monopoly on protected know-how further to its disclosure, or even destroy the novelty of an invention and prevent the Company from protecting it by filing a patent.

4.4.2.4. Potential claims from third parties which consider that they hold intellectual property rights on certain technologies used by the Company

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

In the event of a claim by a third party claiming to hold intellectual property rights on a technology used by the Company, the Company or its commercial partner, if the claim is founded, could be made to sign a license with this third party in return for compensation or if a license cannot be obtained, or not under commercial conditions that are considered to be reasonable by the Company or commercial partner, it could be made to modify its products so that they no longer use the technology in question, failing which it would be exposed to being sued for infringement. This could have a significant unfavorable impact on its business, development, earnings and financial position.

The Company is regularly approached by third parties claiming to hold intellectual property rights on technologies and which would like to set up licenses with it.

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

To develop its products, the Company uses various operating systems, including the eCos operating system, the Linux system and, for its new generation of products, the Android™ platform.

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

As such, the risks linked to a fault with "freeware" or potential infringement proceedings by third parties claiming to hold intellectual property rights on such software remain the full responsibility of the Company. If such risks were to occur, this could have a significant unfavorable impact on the Group's business, development, earnings and financial position. To protect itself against such risks, the Company ensures that the research and development teams are aware of the issues relating to the use of "freeware", and has put in place an "open source" policy.

4.5. Insurance and risk coverage

The Group has put in place a policy to cover the main risks that are linked to its activity and may be insured at reasonable prices, subject to the standard exclusions, cover caps and deductibles applied by insurance companies on the market.

The Company has not had to make any major claims and only used its policies on an isolated and insignificant basis in 2013. The Company considers that the insurance policies and protection procedures described below provide reasonable cover for all the major risks inherent in its business in France and internationally.

The Company has taken out the following insurance policies:

Civil liability on operations

More specifically, this policy covers the Company's liability resulting from damages caused to third parties and occurring before the delivery of products or the completion of work, as well as the Company's liability resulting from damages caused to third parties after the delivery of products or the completion of work, it being understood that consecutive material damages are also covered.

The premium for the master policy for 2013 came to 199,018.10 euros and covered the activities of the following Group subsidiaries. Parrot Inc., in accordance with American legislation, is also covered by a local policy. Certain legislation also requires local policies to be taken out, supplementing the master policy, which is the case for the following subsidiaries: Parrot Trading (Shenzhen) Ltd, Parrot Japan KK and Parrot Asia Pacific Ltd. The increase in the premium follows a change to the scope of certain areas of cover in order to provide better cover for the Company’s liability for damages arising after products have been delivered.

Comprehensive office liability

The Company has taken out a "Comprehensive office" insurance policy for all the premises located in the building in which the Company has its headquarters (cf. Section VIII. "Property, plant and equipment" in the present reference document), covering more specifically fire, water, theft and glass breakage risks.

The Company has also taken out a "Comprehensive IT" policy covering electronic equipment, excluding electrical equipment.

For FY 2013, the "Comprehensive office" policy represented 12,442.93 euros. The Company has maintained the local "comprehensive office" policies covering the offices for the Digital Tuner business unit in Nantes and the Varioptic business unit in Lyon. At the beginning of 2014, the Company also took out a "comprehensive industrial" policy for the Varioptic Business Unit’s production line in China, including "machine breakage" and “business interruption” components.

Liability for machine breakage – technical risks and comprehensive IT cover

The Company has taken out a “machine breakage – technical risks” insurance policy for all the technical equipment and laboratories located in the building where the Company has its headquarters, covering various risks, including breakage, theft and water damage. In 2013, the premium was 7,242.77 euros.

The premium for the “comprehensive IT” policy came to 11,087.34 euros.

Comprehensive retail activities liability cover

The Company has taken out a “comprehensive retail activities” insurance policy to cover the activity of its store which opened in August 2012 and is located in Paris’ Opéra district. The premium was 9,723.42 euros and includes a “business interruption” component.

Executive liability

The Company has taken out insurance cover for the liability of its executives and corporate officers. It covers the personal liability which the insured parties may incur individually or jointly with regard to third parties in the event of any professional negligence during the performance of their functions, whatever the jurisdiction concerned (civil, criminal or administrative), the defense costs which executives may incur in the event of claims against their civil liability, and, as relevant, any damages which they may be required to pay. Furthermore, an extension of this policy makes it possible to cover any costs incurred in the event of a crisis arising within the Company further to the disappearance of a key person for instance.

This insurance came to a total of 16,476.44 euros in 2013.

Export debt liability: COFACE

This policy guarantees the non-collection of debt from some of the Company's French and foreign customers located in Regions "1" and "2" (covering respectively OECD countries and the rest of the world, based on criteria defined by COFACE) concerning Company product sales, as well as sales made by the following subsidiaries: Parrot GmbH, Parrot UK Ltd, Parrot Iberia S.L., Parrot S.r.l., Parrot Inc. and Parrot Asia Pacific Ltd. The cover amount represents 90% of the net debt covered excluding VAT. The premium came to 348,760 euros in 2013.

Transported goods liability

The Company has taken out insurance to cover the inherent risks associated with transporting components and products (import), transporting products to customers or distribution subsidiaries (export), in addition to transport between storage sites in France.

The premium paid in 2013 totaled 30,073.30 euros.

Storage liability

The Company has set up specific insurance to notably cover the risks of theft or destruction in the main warehouse where components and products are stored in France. The premium paid in 2013 totaled 33,516.16 euros.

V. Information concerning Parrot

5.1. Company history and development

5.1.1. Corporate name and registered office

The Company's corporate name is "Parrot".

The registered office is located at 174-178, quai de Jemmapes, 75010 Paris, France (Tel: +33 1 48 03 60 60).

5.1.2. Trade and company register, APE activity code

The Company is registered in the Paris trade and company register under number 394 149 496.The APE code (main activity) is 2630Z.

5.1.3. Incorporation and life of the Company

The Company was incorporated on February 28, 1994 for a 99-year period ending on February 28, 2093.

5.1.4. Legal form and governing legislation

The Company is a French-law limited company ("*société anonyme*") with a Board of Directors, notably governed by the provisions of Book II of the French commercial code and Decree 67-236 of March 23, 1967.

5.1.5. History

Year	Events
1994	Company founded by Mr. Henri Seydoux. Voice recognition technologies developed (including signal processing algorithms).
1995	First voice recognition-enabled electronic diary launched.
1997	Parrot+ launched, successor to the initial voice diary, specifically designed for the visually impaired.
1998	Acoustic-related technologies developed (noise reduction, echo cancellation).
1999	First wire-based handsfree kit launched for vehicles (Parrot CK28). Company joins the Bluetooth SIG. Parrot VoiceMate launched, new generation of electronic diaries for the visually impaired.
2001	Parrot CK3000 Bluetooth in-vehicle handsfree kit launched.
2002	Parrot CK4000 developed (OEM).
2003	Parrot DRIVEBLUE launched, first plug-and-play Bluetooth handsfree system (no installation required).
2004	Parrot CK3100 and Parrot CK3300 launched. US subsidiary created (Parrot, Inc.).
2005	Parrot EASYDRIVE, Parrot CK3000 EVOLUTION, Parrot 3200 LS COLOR, Parrot 3400 LS-GPS and Parrot RHYTHM N'BLUE launched. Parrot CK5000 launched (OEM). Subsidiaries created in Germany (Parrot GmbH), the UK (Parrot UK Ltd), Italy (Parrot Italia S.r.l.) and Hong Kong (Parrot Asia Pacific Ltd). Manufacturing of voice-recognition electronic diaries (VoiceMate) stopped.
2006	Company floated. 100% stake acquired in the Spanish company Inpro Tecnologiá, S.L., which became Parrot Iberia, S.L. Parrot DRIVER HEADSET and Parrot MINIKIT (1st version) launched. Parrot PHOTO VIEWER and Parrot SOUND SYSTEM launched, first wireless devices designed by the Group to accompany new mobile phone uses (music, photos). Parrot MK6000 launched.
2007	Parrot CONFERENCE launched (Plug & Play range). Parrot PHOTO VIEWER 7 and Parrot BOOMBOX launched (Multimedia range).

	Parrot 3200LS-COLOR PLUS launched (installed handsfree kit range). Parrot MK6100, Parrot PMK5800 and Parrot SK4000 launched (Plug & Play range). Parrot RK8200 launched (handsfree kit range). Parrot DS3120, Parrot DS7220 and Parrot DF1120 launched (Multimedia range). Distribution agreement sealed with BestBuy and CircuitCity in the US. OEM contracts signed with Navigon and Navman. First MMS photo frame launched in partnership with Bouygues Telecom. Compatibility of products with Apple® Mac OS® X Leopard products. 100% stake acquired in the US firm Waveblue, then integration into Parrot Inc.
2008	OEM branch opened in Japan (Tokyo). Strategic partnership set up with HTC. OEM contract signed with Kenwood. "Parrot accredited fitter" program launched. First NFC-compatible speakers launched: Parrot Party Black Edition (Multimedia range). New MINIKIT TM launched (Plug & Play range): "Slim" and "Chic". Parrot SK4000 launched (handsfree kit range), designed specifically for two wheels. Extension of Parrot Bluetooth handsfree technologies supplied to PSA Peugeot-Citroën. Parrot MKi9X000 launched (handsfree kit range): three new handsfree kits with integrated music features. New digital photo frame launched ("Parrot By" collection): Parrot SPECCHIO by Martin Szekely. OEM contract signed with Hyundai Kia Automotive Group. Parrot receives the top award for the Paris Region and the national award for the electronics and hardware sector in the Deloitte Technology Fast 50 rankings. Multimedia range repositioned around products from the "Parrot By" collection. Parrot by Starck speakers launched ("Parrot By" collection).
2009	Alliance between Parrot and Hyundai ramped up on two new vehicle models. Entry-level products gradually phased out from the Multimedia segment range (Parrot Photoviewer, Parrot Party, etc.). Alliance with Renault ramped up (OEM, through Continental). Distribution network gradually put in place for Parrot Zikmu By Philippe Starck wireless speakers in 31 countries. Parrot RKi8400 launched: car radio handsfree kit specially designed for the iPhone®, equipped with a removable front and iPhone/iPod®/iPod touch®, USB and jack connectors. OEM contract signed with Pioneer. One-off versions of the Minikit Slim released (special operations).
2010	First Parrot AR.Drone prototype unveiled at the CES: wifi-controlled quadricopter using an iPhone/iTouch. Launch of the Grande Specchio in the Parrot By collection: new digital photo frame designed by Martin Szekely. Minority interest (38.5%) acquired in Da Fact: French start-up specialized in digital music. Parrot's OEM solutions are integrated into three new vehicle brands: Audi, BMW and Volkswagen. Parrot AR.Drone launched in summer 2010 in six countries, then extended at the end of the year to include a further three countries. Parrot Zikmu By Philippe Starck speakers released in four new colors. Parrot Minikit SMART presented: dedicated Plug & Play product for smartphones.
2011	Parrot ASTEROID presented at the CES: car radio with internet, voice recognition and handsfree telephony applications. New digital photo frame launched, with the "Parrot By" collection: Parrot DIA, a frame developed with Jean-Louis Frechin, founder of the NoDesign agency. OEM partnership with e.Solutions GmbH. Parrot Minikit SMART launched (Plug & Play). Acquisition of Varioptic (Digital Lenses). Acquisition of DiBcom (Digital TV and Radio). Parrot Minikit+ launch. Parrot joins GENIVI alliance (on-profit industry alliance committed to driving the broad adoption of an In-Vehicle Infotainment (IVI) open-source development platform).
2012	Parrot ASTEROID range of internet connected handsfree solutions presented at CES (installed car kit). Parrot ZIK presented at CES (Multimedia). Parrot AR.Drone 2 presented at CES (Multimedia).

	Parrot ASTEROID products presented at CES (installed handsfree kit / infotainment). Ford Motor Company selects S1nn and Parrot for its multimedia handsfree solution. Parrot AR.Drone 2.0's commercial launch. Parrot expends its business with a leading German car manufacturer. Parrot ZIK's commercial launch. Majority interest acquired in senseFly. Minority interest acquired in Pix4D. Parrot ZIKMU SOLO's commercial launch (Multimedia). Parrot store opened in Paris.
2013	Parrot FLOWER POWER presented at CES (Multimedia). Parrot ASTEROID products' commercial launch (installed handsfree kit / infotainment). Volvo Cars' Sensus Connected Touch presented by Parrot, an open and connected infotainment solution. Parrot ASTEROID Market now offers TomTom, Waze and navfree. Parrot chosen by McLaren for its new connected infotainment system. 19.5% of the interest in Da Fact sold to its managers. Parrot FLOWER POWER's commercial launch. Parrot ends the year with five new key account automotive contracts in the infotainment sector.
2014	CES 2014: Parrot presented the best technologies for playing (Parrot JUMPING SUMO, Parrot MINIDRONE), communicating (Parrot SOCA, Parrot MINIKIT), and flying (retail and commercial drones). Progress made with commercial and civil drones: three new minority interests acquired. Parrot's share becomes eligible for SME share-based savings schemes.

5.2. Investments

5.2.1. Investments carried out

The Group has made the following investments:

In 2013, intangible investments totaled 12,357 K€, with 11,580 K€ for the capitalization of development efforts (IFRS standard). Tangible investments totaled 3,733 K€ (cf. Section 20.2.10 below: Note 10 – Intangible assets).

5.2.2. Investments underway

The investments underway at March 31, 2014 are presented below:

– 492 K€ in intangible assets, excluding the capitalization of development efforts (IFRS);
– 615 K€ in property, plant and equipment;
– 2,670 K€ in long-term financial investments (equity securities: Airinov and EOS Innovation, (cf. Section 20.2.10 below: Note 10 – Intangible assets).

5.2.3. Future investments

On the date when this reference document was published, no significant investment commitments were underway, with the exception of the capitalization of development efforts (IFRS).

VI. Overview of the Group's activities

6.1. Main activities

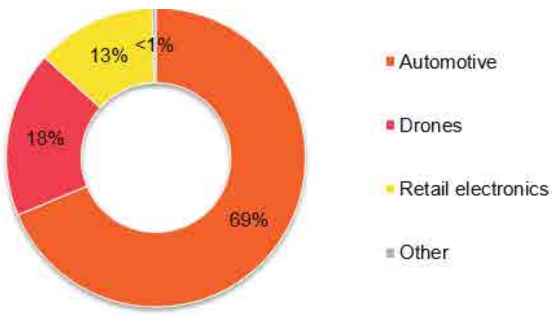
Founded in 1994 by Henri Seydoux, Parrot designs, develops and sells high-tech, consumer products for smartphones and tablets.

Parrot offers the most extensive range of in-car handsfree communication systems on the market. Its world-renowned smartphone multimedia and mobile connectivity expertise has positioned Parrot as a key player for in-car infotainment. Parrot also designs dedicated wireless audio multimedia products and is exploring new possibilities for Bluetooth Smart technologies and connected devices. Lastly, Parrot is expanding its business on the retail drone market with the Parrot AR.Drone, a wifi-controlled quadricopter, alongside new solutions to serve the commercial and civil drone market.

Parrot, headquartered in Paris, France, has a fabless model, employs more than 850 people worldwide and generates the majority of its sales internationally. Parrot has been listed on Euronext Paris since 2006 (FR0004038263 – PARRO).

6.1.1. Products and customers

Parrot has an innovative range of products in three main[1] areas: automotive, consumer electronics and drones. The 235.1 M€ in revenues generated in 2013 can be broken down as follows:



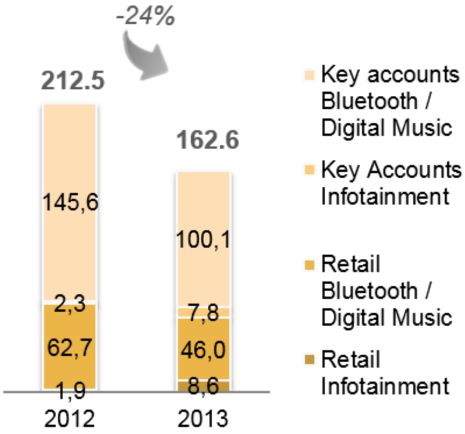
For detailed information on the Group's financials, readers are invited to refer to Section IX Review of the financial position and earnings and Section XX Financial information concerning the assets, liabilities, financial position and earnings**Erreur ! Source du renvoi introuvable.** "Financial information concerning the assets, liabilities, financial position and earnings".

6.1.1.1. Automotive

The Automotive business groups together revenues from installed handsfree kits (Parrot CK and Parrot MKi range) and infotainment products (Parrot ASTEROID range) sold to consumers through the distribution networks, as well as revenues from the Bluetooth, digital music and infotainment solutions sold directly to manufacturers and their OEM providers (Key Account Automotive). In 2013, Automotive revenues came to 162.6 M€, representing 69% of the Group's revenues. The Automotive business is down 24% from the previous year, in line with the transition to the new generation of connected cars, reflected in the gradual withdrawal from previous generation products and the gradual penetration with the first infotainment products.

► **Breakdown of Automotive revenues**

[1] Parrot also has an "Other" business line, which contains the activities of Varioptic, a company acquired in 2012, which represents less than 1% of the Group's revenues.



► **Retail Automotive products sold in 2013**

Parrot CK3100 LCD

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

Recommended retail price:
- 139 EUR
- 180 USD

Parrot CK3000 EVOLUTION

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

Recommended retail price:
- 99 EUR
- 130 USD

Parrot MKi9200

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

Recommended retail price:
- 209 EUR
- 300 USD

Parrot MKi9100

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

Recommended retail price:
- 169 EUR
- 230 USD

Parrot MKi9000

- Bluetooth handsfree system (no screen)
- Dual mode (MULTIPOINT): connects 2 phones simultaneously
- Automatic directory syncing
- Speaker-independent voice recognition

Recommended retail price:
- 139 EUR
- 200 USD

Parrot ASTEROID CLASSIC

- Connectivity: iPod / iPhone, USB, Bluetooth (A2DP), line-in

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

Recommended retail price:
- 300 EUR
- 350 USD

Parrot ASTEROID MINI

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

Recommended retail price:
- 249 EUR
- 300 USD

Parrot ASTEROID TABLET

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

Recommended retail price:
- 349 EUR
- 400 USD

Parrot ASTEROID SMART

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

Recommended retail price:
- 549 EUR
- 600 USD

Parrot UNIKA

Steering wheel control interface system for the Parrot MKi & ASTEROID
- Ultra-fast installation
- Extended compatibility
- Controls your Parrot handsfree system

Recommended retail price:
- 89 EUR
- 100 USD

► **Key Account Automotive products sold in 2013**

Parrot FC6000 / FC6050B / FC6050W

Parrot connectivity solutions enabling users to enjoy transparent connections to their mobile electronic and music devices.

Parrot OCTOPUS

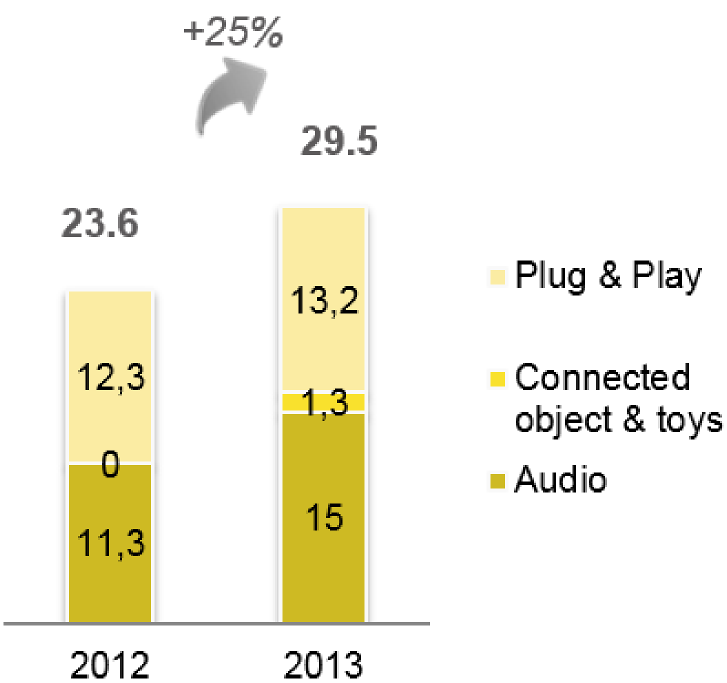
Octopus is a multi-capability chip and the world's first multi-standard programmable receiver, offering truly global solutions for digital television and radio.
The chips resulting from the acquisition of DiBcom are compatible with current international standards for digital video broadcasting: DVB-T2,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

6.1.1.2. Consumer Electronics

The Consumer Electronics business groups together revenues from the audio products (ZIK, ZIKMU) and plug & play products (Parrot MINIKIT range), as well as the connected devices and toys (FLOWER POWER) sold to consumers through the distribution networks and online.

In 2013, Consumer Electronics revenues came to 29.5 M€, representing 13% of the Group's revenues. The Consumer Electronics business achieved 24% growth compared with the previous year, reflecting the good performance by the audio range and the solid level of sales for Plug & Play products.

► **Breakdown of Consumer Electronics revenues**



► Consumer Electronics products sold in 2013

Parrot ZIK

- 5 color options
- Bluetooth 2.1, NFC
- Active noise cancelling
- Touch control panel
- Handsfree communication
- Dedicated application (Parrot Audio Suite) for smartphones and tablets
- Battery life:
All features active: 6 hours
With just ANC: 18 hours
On standby: 24 hours

Recommended retail price:
- 349 EUR
- 400 USD

Parrot ZIKMU SOLO

- 2 color options.
- Side panels: 2 x 20W HARP (High Aspect Ratio Panel), 350Hz – 20KHz
- Center speaker: 1 x 20W BMR (Balanced Modal Radiator), 350Hz – 20KHz
- 40W woofer
- 6.5" neodymium: 50Hz – 350Hz
- Audio output: 30Hz - 20kHz
- Audio power: 100W RMS
- Digital amplifier (Class-D)
- Compatible audio formats: AAC | MP3 | LPCM | WMA
- Dedicated application (Parrot Audio Suite) for smartphones and tablets
- Power supply: 115W

Recommended retail price:
- 799 EUR
- 1 000 USD

Parrot MINIKIT SMART

- Full duplex
- Built-in 2W speaker
- Multi-speaker voice recognition
- Text To Speech for phone book entries

Recommended retail price:
- 100 EUR
- 130 USD

Parrot MINIKIT

- Dual mode: connects 2 phones simultaneously
- Contacts: 2,000 per phone, 20,000 in total
- Full duplex
- Multi-speaker voice recognition

Recommended retail price:
- 59 EUR
- 90 USD

Parrot MINIKIT NEO

- 3W speaker
- Full duplex
- Built-in multidirectional microphone
- Dual mode (Multipoint): connects 2 Bluetooth phones simultaneously
- Battery life: over 10 hours in conversation
- Easy pairing process and NFC tag
- Speaker independent voice recognition

Recommended retail price:
- 79 EUR
- 100 USD

Parrot FLOWER POWER

- Bluetooth Low Energy wireless sensor
- Monitors the health of your plants in real time
- Measures the temperature and fertilizer, sunlight and humidity levels
- Tracks several plants at the same time
- Database of over 6,000 plants
- Use indoors and outdoors
- Bluetooth 4.0
- Free application

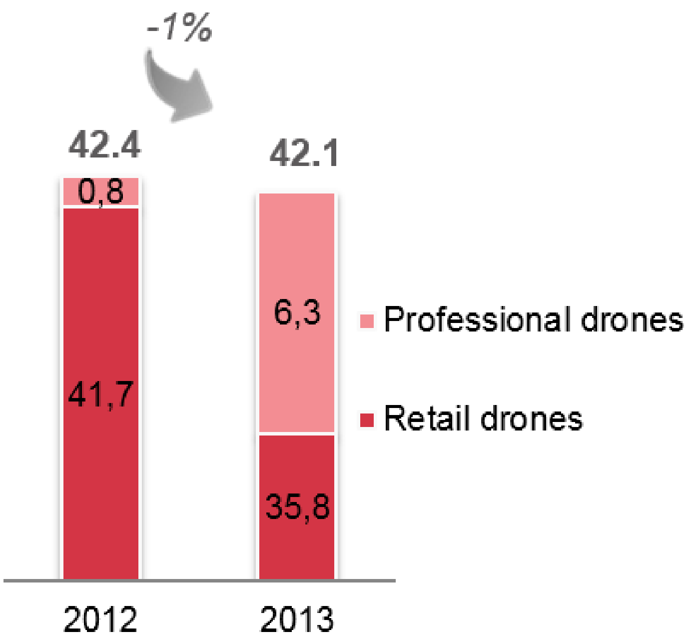
Recommended retail price:
- 49 EUR
- 60 USD

6.1.1.3. Drones

The Drone business groups together revenues from sales of retail drones (Parrot AR.Drone), sold to consumers through the distribution networks and online, as well as revenues from commercial and civil drones, sold through specialized distribution networks.

In 2013, Drone revenues came to 42.1 M€, representing 18% of the Group's revenues. The Drone business contracted by 1% compared with the previous year, reflecting the lower level of Parrot AR.Drone 2 sales two years after its release, pending the launch of a next retail drone, on the one hand, and on the other, the dynamic development of the new commercial drone business: with 6.3 M€ in revenues for the year, up from 0.7 million euros in 2012, Parrot is already positioning itself as a major player on this rapidly developing market.

► **Breakdown of Drone revenues**



▶ Retail drones sold in 2013

Parrot AR.Drone 2.0

- Remote control quadricopter (iOs, Android and Windows touch tablets and smartphones, Nvidia Shield console, etc.)
- Assisted control
- HD camera: 720 p 30 fps
- Power source: batteries
- Battery type: rechargeable Lithium-Ion
- Width: 51.5 cm
- Weight: 436 g
- Length: 51.5 cm
- Components: gyroscope, accelerometer, magnetometer, pressure sensor, ultrasound sensor, etc.
- Processor: 1GHz 32 bit ARM Cortex A8 processor with 800MHz
- Interface: USB 2.0

Recommended retail price:
- 299 EUR
- 299 USD

Parrot AR.Drone 2.0 GPS Edition

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

Recommended retail price:
- 349 EUR
- 349 USD

Parrot AR.Drone 2.0 Power Edition

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

Recommended retail price :
- 349 EUR
- 349 USD

▶ Commercial drones sold in 2013

Parrot SENSEFLY – SWINGLET CAM

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

Parrot SENSEFLY - eBee

- Weight: 700 grams
- Wingspan: 96 cm
- Flight time: 45 min.
- Cruising speed: 57 kmph
- Wind resistance: up to 45 kmph
- Radio range: 3 km
- Camera: 16 MP
- Mapping capacity: up to 10 km^2

6.1.2. New products and developments

In 2013, product developments were marked by the following events:

Announcement of two new manufacturer customers in the automotive infotainment sector

In February 2013, Parrot announced that it would be supplying **Volvo Cars** with an open, connected Android-based infotainment solution: the "Sensus Connected Touch". A major innovation based on Parrot's ASTEROID infotainment platform, the "Sensus Connected Touch" enables Volvo customers to access a wide range of connected applications and services. The "Sensus Connected Touch" is an electronic unit designed by Parrot and connected to the vehicle's LIN network (Local Interconnect Network). Drivers can access it using the steering wheel-mounted controls and the touchscreen and can connect to the internet via wifi using their smartphone or in USB mode with a 3G/LTE dongle. The "Sensus Connected Touch" has been on sale since May 2013 in Volvo's new models (V40, S60, V60, XC60, V70, XC70 and S80) available in North America, Latin America, Europe, China, South Africa, Australia and New Zealand.

In September 2013, Parrot announced that it would be supplying **McLaren** with an innovative open platform for connected infotainment for its vehicles. This solution is the new generation of McLaren's “IRIS” infotainment system and represents a new use of the Parrot ASTEROID connected infotainment platform. It enables McLaren drivers to access a range of advanced connected services and applications (GPS, mapping, internet radio, multimedia player, internet browsing, handsfree telephony, etc.). The new generation "IRIS" is a complete multimedia system designed by Parrot. It connects to the vehicle's CAN network (Controller Area Network) and is adapted for McLaren’s central vertical screen thanks to a new capacitive touch panel enabling fluid navigation, with multi-touch features. The new generation "IRIS" connects to the internet via wifi using the customer's smartphone or in USB mode with a 3G/LTE dongle.

Parrot FLOWER POWER’s commercial launch in autumn 2013

Parrot's first breakthrough into the connected devices sector (Consumer Electronics), the Parrot FLOWER POWER is a system of innovative sensors that make it possible to monitor temperature, light, humidity and fertilizer levels for potted plants in real time.

This sensor is compatible with devices equipped with Bluetooth® Low Energy connectivity: iPhone 4s and later models, iPad Retinas and later models, iPad minis and later models, iPod Touches (4th and 5th generation); compatibility with ASTEROID smartphones is planned for 2014.

Further information is provided in Section 6.1.2 New products and developments.

At the start of 2014, Parrot also unveiled several new products at the CES event (Consumer Electronics Show, Las Vegas, USA, January 5-10, 2014). Readers can also refer to Section XII Information on trends and Section XIII Financial outlook.

Two new connected toys to enhance the Consumer Electronics business

Parrot MiniDrone: a small-scale drone that can be controlled using Bluetooth Smart (Low Energy) with a smartphone or tablet, able to fly and roll from the ground to the ceiling.

Parrot Jumping Sumo: the first robot insect that can be controlled using 5GHz wifi with a smartphone or tablet, able to twirl, jump up to 80 cm high and make 90° turns.

These two new products in the connected toy sector received a positive response when they were presented at the CES event. They are expected to be launched during the second half of 2014. Parrot expects its new retail products to make a solid contribution during the fourth quarter of 2014. Their public retail prices had not been announced when this reference document was published.

- **New complete and flexible automotive infotainment solution: Parrot SOCA**

Parrot SOCA is a scalable Android-based connected multimedia solution, designed for auto manufacturers with an OEM approach. In this way, Parrot offers a unique vision of the connected car with a scalable and flexible infotainment system based on Android 4.4.

In a modern car, the electronics, screens and connections are increasingly complex. Parrot is looking to simplify the approach for automotive manufacturers by capitalizing on innovative technologies, both wireless and Ethernet, based on a reliable architecture, with Google's Android system. Scalable because it is based on the latest technologies and protocols, Parrot SOCA also innovates by using known, proven and cost-effective hardware systems. Thanks to Parrot SOCA, auto manufacturers are able to benefit from a complete, connected and scalable infotainment solution, with effective control over the costs involved.

The SOCA architecture can be enhanced with the "Smart Antenna": a programmable, flexible and therefore cost-effective SDR or Software-Defined Radio. Parrot SOCA will be available in 2014, with the Smart Antenna to follow from 2015.

6.2. Main markets

- **Focus on innovation and differentiation**

Parrot operates on markets with high levels of technological value-added and different stages of maturity and sales cycles. Drawing on its technical expertise in signal processing, mobility and connectivity, Parrot aims to achieve innovation and growth. On account of its scale, the Group strives to develop original products that respond to specific new needs among its retail and professional targets. Its ability to anticipate the next technological breakthroughs is crucial to the Group's success.

In this context, market research is not particularly important for Parrot. Indeed, market research generally reports breathtaking rates of growth in competitive environments that are still not clearly determined. On the contrary, on each of these markets, the Group focuses on the following:

- Effective use of its resources: putting in place an innovative range of solutions based on its technological expertise, its intellectual properties (chips, patents) and its existing resources (components, production, distribution);
- Value-added: developing products and solutions with a strong technological component, making it possible to achieve margins that traditionally range from 35% to over 50%, depending on the type of product and lifecycle involved;
- Differentiation: offering original products and solutions designed to meet new needs for rapidly developing uses.

Positioning on three main high-potential markets

The current markets for products developed by Parrot are as follows:

Market for automotive products: this is the historical market of the Group, which successfully anticipated the outstanding potential of mobile phones and then smartphones by creating a range of consumer products and a series of OEM solutions to support in-car mobile phone use. From its first successes on the consumer market from 2001 to its phase of strong growth with auto manufacturers, the Group has sold over 50 million handsfree solutions and products for cars and is currently positioning itself on the next value-creating cycle: infotainment.

Market for consumer electronics products: this is the starting point for the Group's innovation. In line with its priority criteria (existing resources, value added, differentiation), Parrot is harnessing its creativity to support new mobility and connectivity-related uses. Drawing on its long-established expertise, the Group is focusing on music and connected devices. In line with this approach, the Group launched the Parrot AR.Drone, its smartphone-controlled video camera quadricopter, in 2010, as well as the Parrot ZIK wireless headphones.

Market for retail and commercial drones: buoyed by the Parrot AR.Drone's success, and quickly aware of the potential of these new technologies with professionals, the Group has been developing a commercial range since 2012.

Alongside this, through its "Other" business line (currently resulting exclusively from the acquisition of the company Varioptic in 2012), the Group is developing its interest in the optics market.

6.2.1. Market for vehicle connectivity products

Within the vast market of automotive industry suppliers, Parrot is targeting a specific need for in-car connectivity based on mobile phones and smartphones.

There are two main types of products on this market:

- Aftermarket products, i.e. fitted in the car after the vehicle has been purchased (Parrot's Retail Automotive products),
- Original equipment manufacturer (OEM) products (Parrot's Key Account Automotive products), which are integrated into vehicles by manufacturers when they are produced.

The main factors affecting this market are as follows:

- General trends for the automotive industry and in particular the high-end cars targeted in particular by Parrot,
- Technological advances and functionalities offered by mobile phones,
- Regulations governing in-car mobile phone use,
- Drivers' perception of the risk and comfort involved with in-car mobile phone use,
- Interoperability and compatibility between cellphones/smartphones and handsfree systems.

This market is undergoing a major technological transition, with the digitalization of the car. Capitalizing on the development of telecoms technologies and constantly improving connectivity and mobility capabilities, auto manufacturers and OEMs are starting to deploy on-board entertainment systems in vehicles, providing information, music, internet access, navigation and telephony features. All of these services, combined with new technological solutions, are commonly referred to as Infotainment or IVI (In Vehicle Infotainment). Infotainment solutions include the traditional handsfree features of phones. In this way, the infotainment market is growing at the same time as the market for traditional handsfree systems is declining.

In terms of competition, the main players include OEM manufacturers with strong electronics capabilities (Bosch, Continental, Delphi, Harman Becker, etc.), chip manufacturers (Intel, Nvidia, STMicroelectronics, etc.) and content suppliers (TomTom, Garmin, etc.).

Automotive infotainment research is notably carried out by Gartner and Frost & Sullivan.

From Bluetooth handsfree kits to a complete infotainment platform: a major opportunity for Parrot

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

- The acquisition of 100% of DiBcom's capital in July 2011 for 27.9 M€ (share buyback for 15.9 M€ and net debt buyback for around 12 M€) has enabled the Group to benefit from a dedicated leading-edge technology for mobile digital radio and television.
- The development of a seventh generation of the Parrot chip, the P7, bringing automotive, connectivity and telecoms needs together.
- The development of a new Android-based software solution compatible with the high quality and reliability standards demanded by the automotive industry.
- The creation of a platform for downloading specially designed automotive applications: the ASTEROID Market.

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

According to research by IHS Automotive in March 2012, the in-vehicle infotainment market already represented 32.5 billion US dollars in 2011, up 3.4% in relation to 2010. Parrot is focused exclusively on one segment of this market, covering the mutualization of driving assistance and entertainment technologies designed for drivers and their passengers. In one device, the infotainment solutions developed by Parrot combine traditional and digital radio, navigation, warnings about dangerous areas, mobile digital music (online or on multimedia device), a growing portfolio of useful applications for drivers and of course handsfree telephony (cf. www.parrotasteroid.com). All its features are internet-connected through smartphones, prioritized and adapted for in-car use, and include integrated advanced signal processing and voice recognition capabilities from Parrot's traditional portfolio of intellectual property.

Parrot, through its new "Parrot Asteroid" Retail solutions (three products launched in February 2013: Parrot Asteroid) and its long-established multimedia connectivity expertise, is positioning itself to lead the field on this significant and growing market.

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

Parrot and infotainment: significant advances in 2013

In this context, Parrot is rolling out a dual strategy:

- The gradual withdrawal from its traditional handsfree kit market: on the way to becoming a convenience product, the value creation potential of traditional handsfree kits is limited and they require maintenance operations (updates, compatibility, etc.), which the Group does not want to see an increase in. Few of the contracts ending are being renewed and this accounts for a large part of the contraction in automotive revenues for 2013 (cf. 6.1.1.1 Automotive);
- The rapid breakthrough on the infotainment market: after deploying major resources for the R&D phase, enabling the first retail infotainment products to be launched from 2012, Parrot has focused on its offer's commercial deployment with auto manufacturers and their OEM providers. Between 2012 and 2013, eight contracts were signed with seven manufacturers (cf. 6.1.1.1 Automotive): two moved into production in 2013, with another two expected for 2014 and the remaining contracts to follow in 2015.

2013 also confirmed the validity of Parrot's technological forecasts, including:

- The need for manufacturers to use open systems in order to overcome the gap between a vehicle's development cycle and lifecycle and the much quicker cycle for the mobile applications that may be released for drivers and their passengers. In this way, Parrot has developed an infotainment system based on Android (Google's OS) and set up a platform for downloading dedicated applications for the automotive sector.
- Internet connectivity for mobile devices, with several approaches being considered for connecting cars to the internet: integration of SIM cards when manufacturing vehicles, connectivity with wifi relays or even sharing smartphone connections. For obvious industrial reasons, this last option is currently being adopted by the majority of

manufacturers and offers a major competitive advantage for Parrot, which has built a large part of its success around its ability to develop solutions that are compatible with the vast majority of the mobile phones sold worldwide.
- The audacious combination of automotive and consumer systems: the quality and performance levels of automotive systems are significantly higher than those available with consumer systems. Indeed, cars cannot afford to have any bugs: drivers have never seen their digital speedometer get blocked or their engine management system freeze while driving, whereas failures at inopportune times are seen much more frequently with consumer products (smartphones, computers, tablets). In this way, Parrot has sought to combine the two systems together on the same platform, while maintaining their independence.

6.2.2. Market for Consumer Electronics products

Within this vast market, Parrot is focused in particular on products connected to smartphones (or any other mobile device, such as laptop computers or tablets) and the emerging market for connected devices.

In response to increased competition (Sony, Samsung, Apple, etc.), Parrot is focusing on originality and added value. For instance, this is how the Group has developed two successful products:

- The Parrot ZIK: wireless headphones with a range of features, including handsfree capabilities and a touch control panel. In this way, while positioning itself on the highly competitive audio headphones market, Parrot has successfully combined a series of technologies making it possible to respond to new uses and reach a wide audience.
- The Parrot FLOWER POWER: a smart sensor that makes it possible to monitor plant health with a dedicated mobile application. Here, Parrot has demonstrated its ability to identify virtually groundbreaking niches within the vast market for connected devices.

The main factors affecting this market are as follows:

- The global economic environment, and particularly the level of consumer spending on recreational purchases, especially in the developed countries where the Group is most present;
- Technological advances, features and interoperability of phones and other mobile devices;
- Consumer knowledge and perception of new technologies;
- Sales trends for distributors and retailers for consumer electronics products and Parrot's ability to be visible at points of sale.

6.2.3. Drone market

In the emerging and rapidly expanding market for commercial drones, there are two main types of offers:

- Retail drones acquired by consumers for their leisure activities (piloting, video, etc.), on which Parrot clearly stands out thanks to the Parrot AR.Drone.
- Commercial drones acquired by professionals to meet mapping, monitoring and surveillance requirements. Parrot is developing rapidly by acquiring interests (majority or minority) in promising start-ups.

A third market segment concerns military drones, which Parrot is not positioned on.

The main factors affecting this market are as follows:

- Technological developments, reliability and price of technologies used in the drones,
- Knowledge of these new technologies among end users and awareness of what they can offer,
- Emergence of complementary technologies making it possible to meet specific needs (e.g. sensors for precision farming),
- Regulations governing the use of drones.

The competitive environment for drones is currently emerging. Companies are being set up on a virtually daily basis with a view to producing and/or selling drones and/or related services. With revenues of 42.1 M€ on this business segment in 2013, Parrot is a significant player. Other significant operators present on both the retail and commercial segments, but not the military sector, include DJI, 3D Robotics, UAV Factory and even Gatewing.

6.3. Exceptional events

The Group's markets and activities were not affected by any exceptional elements in 2013. Readers are invited to refer to Section IV Risk factors and more specifically the following sections:

- 4.1.3 The Group could experience difficulties managing the risks linked to the international deployment of its activities and its growth on new international markets
- 4.1.4 The Group could face difficulties in deploying its Group products on Electronics mass retail markets
- 4.1.5 Growth in the Automotive business is exposing the Group to certain constraints
- 4.1.12 The Group's earnings are subject to fluctuations which make them difficult to forecast
- 4.1.13 The elements affecting the fourth quarter could have material consequences on the Group's results
- 4.1.14 The Group could experience difficulties with integrating acquisitions
- 4.1.15 Goodwill impairment which could have a material impact on the Group's earnings could be recognized
- 4.2.1 The Group is exposed to deteriorations in the economic environment
- 4.2.2 The Group is dependent on the market environment for automotive and electronic products
- 4.2.3 The Group may not be in a position to cope with growth in the markets
- 4.2.4 The Group may not be in a position to cope with competition, especially if this were to increase on its markets
- 4.2.5 The Group's target markets are subject to rapid technological change and frequent launches of new products
- 4.2.8 The Group's activities are dependent on regulations governing cellphone use while driving

6.4. Issuer's dependency on patents, licenses, industrial, commercial or financial contracts, or new manufacturing techniques

Readers are invited to refer to Section IV "Risk factors" above and more specifically the following sections:

- 4.1.1 The Group depends on subcontractors for the manufacturing and assembly of its products
- 4.1.2 The Group depends on the development and extension of its commercial partnerships with its distributors and clients
- 4.1.6 The Group's success depends to a great extent on the development of Parrot's brand awareness
- 4.1.7 The Group is dependent on certain key executives, engineers and sales managers whose departure could adversely affect its development
- 4.1.13 The elements affecting the fourth quarter could have material consequences on the Group's results
- 4.2.2 The Group is dependent on the market environment for automotive and electronic products
- 4.2.5 The Group's target markets are subject to rapid technological change and frequent launches of new products
- 4.2.6 The Group's business depends on the electronic components market
- 4.2.7 The Group's activities are dependent on technical standards
- 4.2.8 The Group's activities are dependent on regulations governing cellphone use while driving

6.5. Competitive environment

Parrot does not report on its competitive position. As the Group is positioned on developing and generally young markets, its competitive environment is constantly changing. Information on the competitive environment is provided for reference for each of its markets (cf.6.2 Main markets), while the competition-related risks are covered in Section 4.2.4 The Group may not be in a position to cope with competition, especially if this were to increase on its markets.

6.6. Parrot's strategy

6.6.1. Introduction

The main objectives with Parrot's strategy are growth and value creation. For this, the Group is focused in particular on:

- Continuing to move forward with a sustained innovation policy in order to anticipate technological evolution relating to mobility and the constant progress of the smartphone capacities;
- Deploying its sales force and marketing actions in each country where the Group is present, as well as for export;
- Identifying new growth opportunities in harmony with the economic model, markets and technologies group.

■ Strong capacity for innovation harnessed in consumer electronics

Parrot rolls out its innovation strategy for consumer electronics products. By developing new technologies and creating new uses through innovative products sold to general consumers, Parrot assesses the level of interest among consumers and the relevance of its innovations. In this way, the first products created by the Group - electronic diaries then handsfree kits - were sold to general consumers from the late 1990s. Handsfree kits finally found their target audience from the 2000s, generating strong interest from automotive industry firms from 2008.

■ Volume strategy deployed for professionals and key accounts

In this way, when a retail product achieves high levels of recurring success, Parrot seeks to market its technology to professionals and industrial operators. When this new step is taken, a relevant industrial and commercial organization is put in place and a business branch is created. This strategy to capitalize on a common technological core, aiming to establish multi-channel sales, has been deployed again in the drone sector for instance: after launching for general consumers in 2010, Parrot has gradually been developing its business in the commercial and civil drone sector since 2012.

6.6.2. Global distribution

Parrot carries out its own development, drawing primarily on its capacity for innovation, the ongoing technological improvements in mobile phones and the new uses brought about: making calls, listening to music, taking pictures, playing videogames, etc. The improvement of mobile technologies in day-to-day life is accompanying the activity's natural progression.

Auto specialists (dealers and independent fitters) are Parrot's historical distributors. They offer the advantage of enabling end customers to acquire their handsfree kits and get them installed at just one point of sale.

Specialized retailers (telecoms operator sales networks, telecoms stores), mass retail firms (specialized or general) and online retailers complete this network. On these channels, Parrot mainly sells its Plug & Play and Multimedia products, with the exception of telecoms operators, which, as part of their approach for sales to professionals, offer installed handsfree kits for professional vehicle fleets.

On these channels, Parrot primarily sells its consumer electronics products, unlike telecoms operators, which, as part of their approach for sales to professionals, offer installed handsfree kits for commercial vehicle fleets.

■ Main countries where Parrot products are sold

6.6.3. Significant investments in research and development

Section XI Research and development also provides additional information.

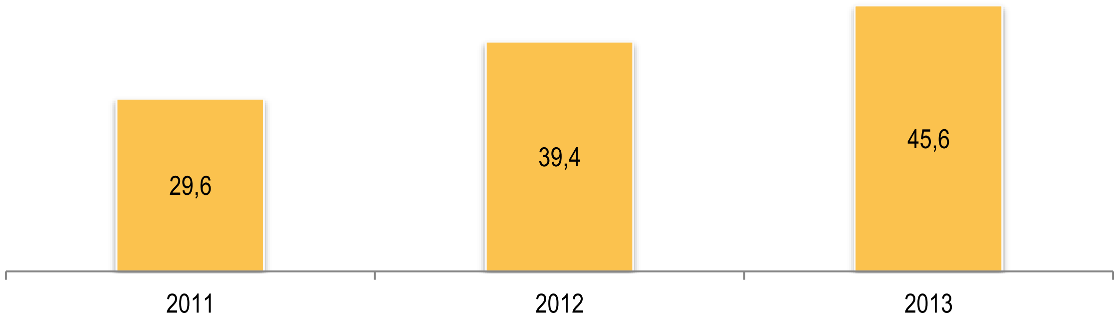
■ R&D policy serving future growth

In order to maintain its competitive edge, Parrot has continued to further strengthen its teams of engineers. In 2013, the R&D teams (427 people) represented 52% of the Group workforce. On an ad hoc basis, external engineers, who are experts in their fields, are brought on board to further strengthen the teams or address specific technical issues. At the end of December 2013, Parrot had 75 external contractors, taking its R&D workforce up to a total of 502 people.

As in the past, and despite the contraction in revenues in 2013, Parrot continuously maintains a committed and daring research and development policy in order to support its expansion in these three business areas, securing its future growth.

Parrot has maintained the growth of its R&D investment program focused on developing the next generations of automotive products, as well as the integration of new features drawing on the Android™ platform and internet connectivity.

Change in R&D spending (in M€) in profit and loss over the last three years:



Recognized technological expertise on its historical business

Parrot's expertise in its historical segment is universally recognized today, thanks to years of research and development and a constant focus on optimizing the technological architectures acquired by the Group.

Most Parrot products are based on common technologies adapted to the various uses, customers and distribution channels. At the same time, new features are added in order to accompany the technological progress made on mobile phones. In this way, at the end of 2008, Parrot was the first player to launch an iPhone/iTouch-compatible product: the MKi range. In 2010, the Parrot AR.Drone's highly innovative features and technological advances were widely acclaimed by professionals and consumers.

At the forefront of technological developments, Parrot is anticipating changes and adaptations in an industry that spans a wide range of technological standards. Since 2009, Parrot has focused a significant part of its R&D resources on developing a complete Android-based infotainment platform.

Ability to deploy value-creating technological partnerships

At the same time, the Group does not hesitate to implement technological partnerships in certain areas in which external contributions help ensure the quality of its products and in this way the satisfaction of its end customers.

In addition to the Group's technology, its products incorporate elements supplied by third parties which, as relevant, may be protected by intellectual property rights. In this way for instance, the Parrot 5 ASIC incorporates the Baseband *Bluetooth* module, software licensed out by Ericsson (cf. Chapter XI. "Research and development, patents and licenses" in the present reference document). The various Parrot ASIC platforms may also incorporate know-how from certain Group suppliers which worked on their development.

Lastly, the R&D Department calls on the services of external specialists to address one-off specific issues: in this way, 75 external consultants worked with the R&D Department at December 31, 2013 (versus 10 at December 31, 2012). More specifically, the ramping up of these qualified external resources has enabled Parrot to finalize the infotainment range.

Attractive development opportunities thanks to new mobile phone uses

One of the key elements in the Group's strategy lies in its ability to go along with the new functionalities offered in the mobile world. Drawing on the technical and technological excellence it has built up on its core business, and more specifically signal processing, acoustics and expertise in wireless technologies, the Group aims to continue expanding its product range to include other wireless devices for mobile phones, notably music, photos and more recently video games. The quest for new market drives Parrot's ambition to accelerate its growth. The Parrot AR.Drone is an illustration of the success of this strategy.

6.6.4. Flexible industrial strategy and effectively managed costs

Parrot's industrial strategy is built around three key components:

- outsourcing production and logistics,
- producing mainly in Asia, and
- continuously improving its cost structure, flexibility and quality.

Effective cost management

The Group intends to continue moving forward with a design, manufacturing and marketing policy which is firmly focused on reducing and optimizing costs. This demand for effective control over costs, present as of the product design stage, is also applied across the entire production and marketing line in order to support the Group's strategy for profitable growth.

To be able to apply an aggressive pricing policy, Parrot has adopted a design-to-cost approach. Indeed, the Group is constantly looking for new low-cost components, qualifying and redesigning its products. At the same time, it regularly renegotiates prices with its main subcontractors.

Industrial strategy: fabless model

The Group is organized around a "fabless" model, with production and logistics both outsourced. This strategy enables flexibility combined with rapid execution on all the market segments on which the Group is present.

Most of the production is outsourced in Southeast Asian countries, which makes it possible to significantly reduce labor costs. Part of the production team is based in Hong Kong in order to be close to the production centers and component suppliers in Asia. Hong Kong represents the Group's global point of supply in Asia.

Group industrialization and production department

The industrialization and production department, made up of 131 people at December 31, 2013, the majority of whom are based in China, is responsible for the introduction of new products, their handling in the factories through to delivery to customers, as well as after-sales service.

To perform these missions, the production department has dedicated personnel for:

- Working with the research and development department to take industrial constraints into consideration as soon as projects start up, with a view to optimizing quality and costs;
- Managing the suppliers manufacturing products, in order to ensure the effective compliance of the process, product and delivery times;
- Sourcing and importing products for the logistics platforms;
- Designing and maintaining the dedicated resources for loading software;
- Overseeing methods and the scheduling of packaging for products;
- Handling sales administration (preparation, shipping and billing of customer orders);
- Designing and maintaining test resources, including hardware maintenance for products and redesigning certain features with a view to reducing costs;
- Providing after-sales service, particularly for software update operations, repairs or standard exchanges under warranty.

Stringent selection of suppliers and subcontractors

A "fabless" company is a company which is focused on the quality and management of subcontractors, selected for their excellence.

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

The majority of the electronic sub-units are assembled in Asia, particularly by JABIL Circuit Ltd (China) and Aztech: cables, keyboards, LCD screens and electronic units. Parrot acquires these sub-units from these subcontractors, which in turn source their products, particularly for the main components -- Parrot ASIC and memory -- from suppliers, preselected by Parrot, and set up contracts based on prices and other conditions negotiated beforehand.

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

- ASICs Parrot 5 ASIC chips to STMicroelectronics,

- ASICs Parrot 5+ chips and ASICs Parrot 6 and 6i chips to Global Foundries,
- Production of the latest generation Parrot ASIC (Parrot 7) entrusted to TSMC, with its launch in 2014.

When a new alliance is set up with a foundry for manufacturing a chip, this requires initial investments, particularly for important developing manufacturing masks. In this way, the Group is dependent to a certain extent on the foundries initially selected for manufacturing its chips. That is why the Group selects renowned foundries with the certifications and experience required. Lastly, the Group regularly communicates with these foundries in order to anticipate any difficulties.

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

Supplier	Location	2012 ranking	2012 (in M€)	2013 ranking	2013 (in M€)
Jabil Circuit Ltd (China)	Asia	1	86.2	1	62.7
Fujikon Industrial Co. Ltd	Asia	2	8.8	2	6.2
Aztech System Ltd	Asia	8	4.2	3	3.2
Geodis	France	7	4.3	4	3.1
UTAC	Asia	3	8.7	5	2.7
Hon-Hai Precision Industry	Asia	-	-	6	2.3
Scomap	France	-	-	7	2.3
NNG-KFT	Europe	-	-	8	1.8
UMC	Asia	5	5.0	9	1.7
Huizhou Desay SV Automotive	Asia	-	-	10	1.7
Accent Spa	Europe	4	5.6	-	-
Global Foundries Ltd	Asia	6	4.4	-	-
Siliconware Precision Ind.	Asia	9	3.2	-	-
ACT	Asia	10	3.0	-	-

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

Assembly of component sub-units

As the final production phase, the packaging, i.e. the final assembly, of sub-units into finished products was carried out by KUEHNE-NAGEL until February 2010 and by Geodis since February 2010 in France, and by Hercules in China. The American subsidiary has a distribution platform managed by Le Saint Logistic.

Stock and production management

The Group uses the SAP Business One solution for managing and monitoring orders, stock, manufacturing and deliveries. The schedules of finished products are managed in SAP.

The Group has set itself a maximum of five working days between the customer's order and the availability of products ready to be delivered, including personalized products. The Group has set itself a target of less than 16 weeks for manufacturing its products. The production time for electronic units is linked to the component sourcing phase, and which generally represents 16 to 22 weeks for strategic components such as the Parrot ASICs (managed upstream by Parrot). In addition, two weeks are needed for assembly, with assembly operations including the cabling of components on the electronic card, the integration of the card into its unit, and the testing and checks required at the end of the line.

In general, a further two weeks are needed to transport the products from their place of production in China to the logistics platforms. Products manufactured in Asia which are low-value (such as cables) or involve considerable weights of volumes (such as car radios, speakers or drones) are shipped by boat (around six weeks), while high-value products such as the electronic units are transported by plane.

The stock management rules planned for three weeks' worth of stock, one week of finished products (fully packaged and ready to be delivered to customers) and two weeks of semi-finished products (sub-units) ready to be packaged. In 2009, the Group decided to put in place strategic stocks of components with a view to compensating for any shortages on the market and satisfying a higher level of commercial demand than forecast.

Continuous quality improvement

Quality improvement represents a constant requirement faced with increasingly demanding customers, particularly for Key Account products. All of the Group's main subcontractors are ISO TS 16949 certified, the benchmark quality certification in the automotive sector, and have recognized experience in the auto industry.

The Group has put its own ISO 9001 quality system (2000 version) in place and regularly monitors the quality indicators for its subcontractors and products, enabling it to significantly reduce its rate of product returns. In 2013, the average rate of returns for finished products was 2.92% (percentage of the number of items returned in Week N / number of items delivered in Week N-12, with this return rate including returns for simple software updates).

The Quality Division applies the quality policy defined by the executive leadership team and coordinates its implementation within the Company's various departments. Its actions are reflected in:

- An organizational "quality system" activity which concerns all the departments:
  - Describing the Company's operations through the quality system (quality manual, procedures, forms, methodologies, checklists, etc.);
  - Ensuring that the quality system is effectively understood and applied;
  - Adapting the quality system to the Company's developments and ensuring consistency in terms of how we operate.

This activity also includes overseeing the certification approach and the integration of aspects relating to employee working conditions, the environment and more generally sustainable development into our practices.

- An operational "product quality" activity aimed at improving, during the project phase and the production phase, product quality working with the business lines in:
  - The Aftermarket business unit (Retail);
  - The Key Accounts business units.

It involves:

  - Ensuring the use of best practices for developing products under good conditions and guaranteeing product quality;
  - Providing support for product specifications;
  - Ensuring the effective application of product specifications by the production plants and logistics platforms;
  - Managing customer return statistics and overseeing actions aimed at improving products.

The Quality Division capitalizes on the close fit between these two activities in order to optimize the Company's flows and the quality of its products.

6.6.5. Opportunistic optimization of sales and marketing investments

Product-centric marketing approach

Parrot carries out its own development, drawing primarily on its capacity for innovation, the ongoing technological improvements in mobile phones and the new uses brought about: making calls, listening to music, taking pictures, playing videogames, etc. The improvement of mobile technologies in day-to-day life is accompanying the activity's natural progression.

In this context, Parrot is focusing its marketing efforts on four main areas:

- Product launches: positioning built around the technological benefits and strong coverage in traditional media and online;
- Product placement on retailer shelves: giving priority to sections for mobile phone accessories rather than vehicle accessories;
- Visibility of its products at points of sale: display stand, point-of-sale advertising, packaging, etc.
- Brand awareness: through press relations, social media or pop-up stores.

"Push-and-pull": acting on two commercial levels

Parrot's success on in-vehicle handsfree kits has been based on its first-rate listing with automobile specialists. The large installed base of specialized distributors represents a key competitive advantage on a market in which the “opinion-leader” effect has a major impact.

The "Push" sales policy, leveraging wholesaler margins to “push” its products to retailers and fitters, is primarily applied in the countries where Parrot does not have a subsidiary. The "pull" strategy is embodied by the sales teams: they establish regular and quality contacts with retailers, which they advise, guide and train up on the products. This approach is therefore based on closer ties and tailor-made support for the opinion-leader in order to meet their expectations.

Online marketing and social networks

Over the last few years, Parrot has significantly ramped up its online presence in order to support the brand's growing reputation and establish direct communication with its end customers. Parrot actively communicates on social networks (www.facebook.com/Parrot, twitter.com/#Parrot) and social media (www.youtube.com/parrotcorp) to support the brand globally and showcase certain products in particular (www.youtube.com/ ARdrone, twitter.com/#ardrone, http://www.facebook.com/Parrot.ZIKMU). The online content developed by Parrot covers several objectives: helping create a buzz, explaining features and supplementing technical support. At the start of 2014, Parrot had over 338,000 fans on its main Facebook page (compared with 300,000 at the start of 2013), while the videos available on Parrot's YouTube channel have been watched more than 40,000,000 times.

Automotive Key Accounts: strategy to grow market shares and create value

Positioned on this market since 2004, Parrot has rapidly established itself as a major player on dedicated electronic components for handsfree telephony and more recently digital music and in car multimedia.

The Automotive Key Account products are sold directly to original equipment manufacturers and auto manufacturers. The contracts signed have a long-term focus; after 6 to 18 months of negotiations, a design win (which the Group is not able to communicate on before the vehicle is announced) and an approximately 12-months development phase, with the commercial work together spread over several years (four years in the majority of cases).

Automotive Key Account around the world

The strategy applied by the Automotive Key Accounts department aims to:

- Provide manufacturers with technical solutions that in line with current and future mobility trends. Parrot's solutions combine hardware and software design to offer a series of features: USB, Wi-Fi, Bluetooth, digital signal processing, multi-speaker voice recognition. Since 2010, the Group has also offered additional smartphone features based on the Android platform, as well as 3G/LTE internet connectivity.
- Build a quality offering for each customer, supported by local follow-up and corresponding services. Parrot supplies complete hardware and software solutions, as well as technical support (system design and integration) and after-sales maintenance (software updates, compatibility testing with new handsets, etc.).

In addition, Parrot is deploying a strategy to build close ties, which is essential to ensuring the sustainability of the long-term commercial relations established with OEM Key Account and Digital Tuner customers. The map opposite presents the global locations of Parrot’s OEM Key Account teams.

6.6.6. Customer service and after-sales service

Customer service

The French customer service team (Technical Support) is made up of five multilingual people based in Paris. Each subsidiary manages its own technical support. A main database of issues is centralized and analyzed at the Paris headquarters. Contact is primarily in French, English and Spanish, over the phone or email, and via the Parrot forums. Extensive online documentation also makes it possible to provide users with specific and comprehensive information on how to use Parrot's products, as well as changes to our products.

A department staffed by five other people is focused on the compatibility of Bluetooth phones and Apple devices, 3G/4G keys, UPnP applications... They work closely with the Support team and summarize this feedback from the field in databases collecting the information entered for each call. This enables Parrot to adapt products with new software versions made available on the www.parrot.com internet site and in the production process.

After-sales service

The after-sales service team is made up of three people (as of December 31, 2013), based at the Group's head office in Paris. Since 2012, the team has used the SalesForce tool for monitoring customer relations.

In 2013, the rate of product returns came to 2.92% (percentage of the number of items returned in Week N / number of items delivered in Week N-12, with this return rate including returns for simple software updates).

Returns are physically processed ("Level 1") by the Parrot logistics platform, managed by Geodis Logistics in the Paris region. Returned products are recorded to trace returns for each product and each customer. This information is made available to each one of the commercial departments in order to keep them informed about any products returned by their customers.

The Group's policy is to replace or repair products which have been returned within 15 working days, excluding transport times. An appraisal (based on a sample) is carried out within the after-sales service team ("Level 2") or by the quality department in order to determine the cause of returns. To ensure continuous improvement, the quality department then transmits this information, depending on the type of fault, to either the production department (supplier fault) or the design team (design fault) in order to correct the issue at its source.

6.7. Human resources and environmental data

6.7.1. Parrot's share included in the Gaia Index

In 2013, Parrot was once again included in the Gaia Index, which it has been part of since 2010. Launched in October 2009 by IDMidCaps and EthiFinance, with support from the French society of financial analysts (SFAF) and MiddleNext, the GAIA Index information system makes it possible to determine the commitment made by French mid-caps in terms of CSR criteria (Environment, Social, Governance).

For further information, the 2013 Gaia Index report is available online at:

http://www.ethifinance.com/images/investors_services/gaia-index/synthese_rapport_gaia_2013.pdf

Preamble to the human resources and environmental data

In accordance with Articles L.225-102-1, R.225-105 and R.225-105-1 of the French commercial code, Parrot is presenting the actions taken and strategies adopted by the Company and its subsidiaries and controlled companies in order to take into consideration the impacts of its activities on its employees and the environment, in addition to meeting its societal commitments to support sustainable development.

When a company voluntarily complies with national or international social or environmental standards, the report may mention this, indicating the recommendations from these standards that have been retained and the arrangements for consulting them. The information primarily concerns Parrot S.A. Its subsidiaries and controlled companies, including those located outside of France, are mentioned when the Group scope is applied.

6.7.2. Methodology

Consolidation scope and methods

The environmental data correspond to the head office in Paris and Parrot's products, and are extracted from the environment management system. The Paris site corresponds to Parrot's head office and includes the research and development site for Parrot products. It represents 70% of the Group's workforce. The human resources data correspond to Parrot France unless indicated otherwise.

Methodological procedures

Parrot's procedures comprise the following:

- For quantitative indicators: "indicator" files describing the consolidation method for those available on Parrot's internal network;
- For qualitative indicators: a glossary making it possible to have additional information, such as the frequency, scope and justified source.

Choice of indicators

The indicators have been selected with a view to focusing in priority on monitoring the environmental policy and commitments (environment management system, environmental audits, etc.).

Methodology for quantitative indicators

With regard to waste management at the head office, Parrot consolidates its tonnage and recycling indicators based on waste monitoring forms obtained from the various waste collection organizations. These waste monitoring forms indicate the tonnage, the type of waste and the final treatment. The indicator for the annual change in the tonnage of the different types of waste collected is consolidated based on the tonnage and type of waste. The final treatment makes it possible to determine whether the waste has been recycled and the percentage of each type of waste recycled.

The electricity consumption indicator, consolidated annually, is based on the electricity supplier's invoices (EDF) for the various meters located on the platforms for the Paris headquarters. The monthly invoices are available to the accounting department.

The indicator for the change in annual cold water consumption per person, consolidated annually, is based on data obtained from the building's rental expenses statements, which are available to the accounting department.

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

6.7.3. Continuous quality improvement

Parrot's management system has been built around three areas - Quality, Safety and the Environment - with progress marked by a certain number of certifications.

- ISO 9001 since 2002 (Quality), supplemented with an ISO/TS 16949 certificate relating to the automotive sector;
- ISO 14001 since 2008 (Environment), and since 2010 in Parrot's Chinese subsidiary;
- OHSAS 18001 since 2009 (Occupational Health and Safety).

This overall approach ensures effective control over Parrot's activities in these three areas, as well as their compliance with recognized and proven international standards.

Incorporating economic, social and environmental dimensions, sustainable development was established as a major focus for the company's progress since 2010, following on logically from the efforts already made.

Stakes and strategy

Parrot has reviewed its sustainable development performance based on the standard defined by the French automotive suppliers federation (FIEV) in order to determine the most significant issues at stake for the company. These have made it possible to draw up a corporate social responsibility (CSR) strategy built around the following points.

- Assessing and optimizing the environmental impacts of Parrot's products and activities;
- Continuing to improve the work environment and conditions for building staff loyalty;
- Developing an ethical and responsible policy throughout the supply chain;
- Reporting to its stakeholders on the company's sustainable performance;
- Further strengthening internal and external communications.

A sustainable development correspondent has been appointed and a sustainable development action plan has been mapped out, also incorporating all the actions resulting from regulation watch, audits and risk analyses. It represents the tool for overseeing the sustainable development approach at Parrot.

6.7.4. Societal commitments to sustainable development

6.7.4.1. Human resources data: employment

Breakdown of the workforce by country (Parrot Group)

Refer to Section 17.1.2 Workforce.

Breakdown of the workforce by gender (Parrot S.A. France)

	Men	Women	Total
Executive-grade staff	428	82	510
Employees, technicians and supervisors	39	21	60
Trainees	16	2	18
Total	**483**	**105**	**588**

Breakdown of the workforce by age (Parrot S.A. France)

Staff on permanent contracts, fixed-term contracts and apprenticeship contracts at December 31, 2013

	Executive-grade staff	Employees, technicians and supervisors	Trainees	Total
Under 26 years old	44	6	18	68
26 to 30	143	15		158
31 to 40	243	30		273
41 to 50	70	7		77
Over 50 years old	10	2		12
Total	**510**	**60**	**18**	**588**

Monitoring of changes concerning permanent and fixed-term contracts (Parrot S.A. France)

There were 61 arrivals and 54 departures in 2013. The turnover rate came to 9.5%. Parrot S.A. France did not yet have a system in place for monitoring the reasons for departures in 2013, and is preparing to roll it out for 2014.

Remuneration figures and changes (Parrot S.A. France)

Remuneration at December 31, 2013

	Men		Women	
	Workforce	Average annual salary	Workforce	Average annual salary
Grade I	90	36,779	16	37,001
Grade II	281	48,142	56	48,447
Grade III	57	111,252	10	81,036
Employees, technicians and supervisors	39	26,966	21	26,894

The payroll increased by 4% between 2012 and 2013.

Organization of working time (Parrot S.A. France)

Employees, technicians and supervisors have a 39-hour working week and accrue 1.92 JRTT reduced working week days per month.

Working time for executive-grade staff is measured on an annual basis in days. There are two options for executive-grade staff:

– 215 working days, with 15 RTT reduced working week days of leave
– 218 working days, with 10 RTT reduced working week days of leave

Absenteeism at Parrot S.A. France

In 2013, the absenteeism rate came to 3.65%.

Labor relations at Parrot S.A. France

– Organization of dialogue between management and employees
  - 1 meeting per month for the Works Council
  - 1 meeting per quarter for the health, safety and working conditions committee
  - 1 meeting per month for staff representatives for each establishment with more than 10 staff (i.e. 2 monthly meetings)
  - Mandatory annual negotiations

– Review of collective agreements within Parrot S.A. France
  - Company-wide agreement on working time dated July 4, 2008;l
  - Company-wide agreement on profit-sharing dated May 2, 2006;
  - Amendment 1 to the profit-sharing agreement dated July 6, 2008;
  - Amendment 2 to the profit-sharing agreement dated March 25, 2008;
  - Amendment 3 to the profit-sharing agreement dated September 24, 2009;
  - Company-wide agreement on means of communication for staff representatives dated July 8, 2010;
  - Company-wide agreement on individual training entitlements dated May 2, 2006;
  - Company-wide agreement relating to professional equality dated January 26, 2012;
  - Amendment to the company-wide agreement relating to professional equality dated June 4, 2013;
  - Company-wide agreement relating to health costs dated January 2, 2012;
  - Company-wide agreement relating to mandatory annual negotiations dated January 2, 2012;
  - Company-wide agreement relating to the generational contract dated August 27, 2013;
  - Agreement following the mandatory annual negotiations dated December 16, 2013;
  - Company-wide agreement relating to the company savings scheme dated April 7, 2010;
  - Amendment to the profit-sharing agreement dated June 14, 2013.

Health and safety within Parrot S.A. France

Occupational health and safety conditions

Parrot has an OHSAS 18001 standard occupational health and safety management system, which has been certified by AFNOR, the French standardization association, since 2009. A renewal audit is carried out every three years to maintain this certificate, with follow-up audits in the two years following its renewal. An occupational health and safety policy was drawn up by the Chairman-CEO in 2009, while a risk analysis and targets make it possible to factor in the various risks and hazards associated with our business.

Review of agreements signed with union organizations or staff representatives within Parrot S.A. France

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

Occupational accidents at Parrot S.A.

- Occupational accidents; 1 in 2013
- Frequency rate: 0.95%
- Severity rate: 0

Training at Parrot S.A. France

Training policy for Parrot S.A. France

The priority in 2013 was to develop technical skills in Parrot's areas of expertise.

In addition, Parrot has set itself an objective to improve employees' knowledge and understanding of not only the various training programs offered by Parrot, but also the various legal training arrangements (training plan, individual training entitlements, personal leave for training, validation of work experience) through communications actions carried out with the work's council's training committee.

Number of hours of training

In 2013, 6,458 hours of training were provided, including individual training entitlements.

Equality of treatment at Parrot S.A. France

In connection with the measures adopted to promote gender equality, Parrot is covered by a company-wide agreement relating to professional equality (dated January 26, 2012).

As part of its anti-discrimination policy, Parrot, which works with employees from various nationalities, displays the conditions for combating discrimination on each floor of its buildings, covers this point in its internal policies and procedures, and encourages compliance with the stipulations from the International Labor Organization's fundamental conventions.

Parrot carries out various actions for the employment of disabled people, including contacting a recruitment firm specialized in the recruitment of staff with disabilities. However, due to the very low number of disabled people with the engineer profiles targeted, it was not possible to continue with the actions planned with the specialized recruitment firm.

Promoting and respecting the stipulations from the International Labour Organization's Fundamental Conventions

A Social, Ethical and Environmental policy has been drawn up by the Head of Quality. It is sent out to the firms supplying components for Parrot's products. Before being able to sign the Social, Ethical and Environmental policy, suppliers must complete an assessment form looking at a range of social, ethical and environmental criteria.

6.7.5. Environmental information

General environmental policy

Company's organization to take environmental issues into account and, when relevant, environmental assessment or certification procedures

Parrot has an ISO 14001 standard environment management system, which has been certified by AFNOR, the French standardization association, since 2008. A renewal audit is carried out every three years to maintain this certificate, with follow-up audits in the two years following its renewal. An environmental policy was drawn up by the Chairman-CEO in 2008, while an environmental analysis and targets make it possible to factor in the various environmental impacts and aspects associated with our business.

Environmental protection training and information actions for staff

Alongside this, staff information and training actions are carried out on environmental protection aspects, notably through:

- Parrot's in-house magazine "by Parrot", which is distributed twice a year by the HR department with articles on eco-design and the Social, Ethical and Environmental policy.
- Environmental indicators (waste, electricity and water consumption, product life-cycle analyses) displayed in the quality section at the Paris headquarters.
- Environmental Policy and Safety-Environment Handbook, which are available on the intranet.
- In-house awareness campaigns carried out with marketing on the right steps to take: posters inviting people to recycle by sorting paper, turn off electrical devices when they leave and take care with their water consumption.
- Preparation of a training module on the regulations for hazardous products in Parrot products.

Resources for preventing pollution and environmental risks

At this stage, the resources for preventing pollution and environmental risks are covered by a dedicated person. The financial resources required are reviewed on a case-by-case basis.

Amount of provisions and guarantees for environmental risks, unless such information is liable to seriously prejudice the Company in an ongoing dispute

No provisions or guarantees have been recorded for environmental risks and the company is compliant with its obligations in terms of the application of the "Eco" tax.

Office waste management and pollution

Measures to prevent, reduce or remedy air, water and ground emissions seriously affecting the environment

Since 2013, Parrot has carried out tests on its new projects to ensure that their heavy metal content levels are lower than the regulatory limits (RoHS Directive 2011/65/EU) and they do not represent a water or ground pollution risk with the heavy metals when the products become waste. These tests are conducted by an external laboratory Bureau Veritas while projects are underway.

Parrot also works with a specific provider to recover the hazardous chemical mixtures that could be dangerous for the environment if they were discharged as emissions.

Smoke extractors are set up on the soldering stations to capture the polluting and toxic fumes linked to this activity.

Measures to prevent, recycle and eliminate waste

Parrot works with a provider to recycle or eliminate part of the waste from its head office. The percentage of waste recycled for each category and the annual change in the tonnage of the different types of waste collected are presented below:

	2012			2013		
	Tonnage	% recycled	% reclaimed for energy	Tonnage	% recycled	% reclaimed for energy
WEEE	2.645	73%	28%	12.518	100%	0%
Cardboard / common industrial waste	0	0%	0%	3.28	0%	100%
Batteries	0.102	100%	0	0.101	100%	0%
Other	27.183	0.07%	85%	0.259	23%	77%

Management of waste and pollution relating to Parrot products

In the user manuals for its products, Parrot provides instructions on how to dispose of waste, notably including the crossed-out wheelie bin symbol in European instructions for Parrot products. This symbol is indicated on all Parrot products to inform consumers that specific collection is needed for WEEE.

Taking into consideration noise pollution and any other forms of pollution specific to an activity

Parrot carries out an acoustic analysis of its Paris offices every three years to determine whether any workstations are exposed to levels that exceed the regulations, with a corresponding action plan (latest to date: 2012).

All forms of pollution are taken into account in the environmental analysis for the Environment Management System, which is updated as soon as a new activity appears that could have an impact on the environment.

Sustainable use of resources

Water consumption and supplies in line with local constraints

Water consumption levels are measured and monitored based on various indicators. The refurbishment of the Paris offices has made it possible to reduce these consumption levels with the fitting of push-button taps. Posters to raise awareness on water consumption are on display at various locations.

Change in water consumption (cold water consumption indicator: water consumption based on the building's statement of rental expenses)

	2012	2013
m^3 per person	6.86	7.97

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

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

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

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

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

	2012	2013
kWh per person	1,885.79	1,965.46

Land use

Parrot primarily uses offices for its activities without any direct impacts in terms of land, which is why this category is not considered to be relevant.

Climate change

The main approach for reducing greenhouse gas emissions is based on reducing electricity consumption (presented previously) and travel. Conference call services are in place for communicating with correspondents at remote locations.

Biodiversity protection

At this stage, the Company does not have any specific measures for protecting or developing biodiversity. The Company is not directly in contact with biodiversity. Nevertheless, various measures are taken to reduce the impact of its products on biodiversity when they become waste products (e.g. RoHS substances and ground pollution).

6.7.6. Information on societal commitments to sustainable development: regional, economic and social impact of the Company's activity

Organized around a fabless model, Parrot does not have its own factories and all its products are manufactured by subcontractor suppliers in China and Taiwan.

An ethical, social and environmental policy has been put in place for suppliers and is currently being communicated on. This policy covers several areas:

- Social: child labor, forced labor, inhuman treatment and harassment, freedom of association, discrimination, health and safety;
- Ethical: corruption, transparency and legal compliance;

- Environmental: pollution prevention, sustainable use of natural resources, recycling of waste, monitoring of air pollution, identification of chemical substances and products, compliance with environmental regulations.

It was initially sent out to 50 suppliers and all 21 of the suppliers who responded have agreed to adopt the policy, which is a positive development. The requirements for these three areas have been incorporated into the supplier quality audit questionnaire.

With regard to health and safety for consumers, the standards validation department ensures that all Parrot products are compliant with electrical safety standards. Tests are carried out on products to confirm that they do not contain any hazardous chemical substances in relation to the regulatory frameworks (Reach, RoHS, etc.).

Regional, economic and social impact of the Company's business

Regional development and employment

Parrot contributes to regional development by employing more than 500 people at its headquarters in Paris. There is little impact on neighboring or local communities in view of the activities performed at the head office and the design / R&D unit.

Relations with people and organizations concerned by the Company's business, particularly integration organizations, educational institutions, environmental protection associations, consumer groups and residents associations

Conditions for dialogue with these people or organizations

Parrot is committed to establishing partnerships with educational institutions and regularly organizes conferences and takes part in shows for students.

Corporate citizenship and partnership actions

Parrot is committed to working closely with consumer groups. Since 2012, Parrot has therefore supported the association “40 millions d'automobiliste”, which groups together drivers to collect their views and reduce the nuisances relating to this means of transport.

Parrot is also committed to supporting integration organizations and in particular disabled associations and charities, including Les Chevaliers du Ciel and Handicap International for the past three years.

Parrot is committed to the development of neighboring communities, supporting the SNCP Sporting Club Nord Parisien association volleyball team for the past four years.

Other actions to support human rights

Parrot is committed to supporting human rights and has signed an agreement for equality in the workplace, ensuring equal pay for men and women. The Company does not have any other measures to support human rights because it is compliant with French human rights legislation and regulations.

6.7.7. Report by one of the statutory auditors, appointed as an independent third party, on the consolidated social, environmental and societal information presented in the management report

KPMG Audit IS
Immeuble Le Palatin
3 cours du Triangle
CS 80039
92939 Paris La Défense Cedex
France

Dear Shareholders,

In our capacity as the statutory auditor of Parrot S.A. appointed as an independent third party, whose request for accreditation has been accepted by the French national accreditation body COFRAC, please find hereafter our report on the consolidated social, environmental and societal data presented in the management report (hereafter the "CSR data") for the year ended December 31, 2013, in accordance with Article L.225-102-1 of the French commercial code.

Company's responsibility

The Board of Directors is responsible for preparing a management report containing the CSR Data required by Article R.225-105-1 of the French commercial code, prepared in accordance with the reporting standards used by the Company (the "Reporting Standards"), as summarized in the management report and available on request from the Company's registered office.

Independence and quality control

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

Statutory auditor's responsibility

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

- Certify that the required CSR Data are present in the management report or, in the event of omissions, are explained in accordance with the third paragraph of Article R.225-105 of the French commercial code (Certificate of presence of CSR Data);
- Express a conclusion of moderate assurance that the CSR Data overall are presented, in all their material respects, in a true and fair manner in accordance with the Reporting Standards (Considered opinion on the accuracy of the CSR Data).

Our work was carried out by a team of five people between November 2013 and February 2014. To assist us in our work, we called on the expertise of our CSR specialists.

We conducted the work described hereafter in accordance with French industry standards and the Decree of May 13, 2013, setting out the conditions under which the independent third-party organization performs its mission, and the international standard ISAE 3000[2] for the considered opinion on the accuracy of the data.

Certificate of presence of CSR Data

Based on interviews with the managers of the departments concerned, we reviewed the presentation of the sustainable development policies, in view of the social and environmental consequences relating to the Company's business and its societal commitments and, as relevant, the resulting actions or programs.

We compared the CSR Data presented in the management report with the list set out in Article R.225-105-1 of the French commercial code.

If certain data were not included, we checked that explanations were provided as required by the provisions of Article R.225-105 Paragraph 3 of the French commercial code.

[2] ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information

We checked that the CSR Data covered the consolidated scope, namely the Company and its subsidiaries as defined by Article L.233-1, as well as its controlled companies as per Article L.233-3 of the French commercial code, within the limits set out in the methodological memo presented in Appendix 7 to the management report.

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

Considered opinion on the accuracy of the CSR Data

Nature and scope of our work

We conducted four interviews with the people responsible for the preparation of the CSR Data, from the departments in charge of the data collection processes, and, as relevant, the people responsible for the internal control and risk management procedures, with a view to:

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

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

For the CSR Data that we considered most important, as presented in the following table:

Employee-related indicators	Reporting scope
Total headcount (geographical breakdown) Total headcount (breakdown by gender and age)	Parrot Group
Number of recruitments and departures Number of hours of training	Parrot S.A. France
Environmental indicators	**Reporting scope**
Annual electricity consumption Annual tonnage of waste collected Percentage of waste recycled by type	Parrot S.A. head office (quai de Jemmapes, Paris, France)
Qualitative data	**Reporting scope**
Organization of management-employee dialogue Review of collective agreements Occupational health and safety conditions Company's organization to take environmental issues into account, and environmental assessment or certification procedures	Parrot S.A. France

- For the consolidating entity, we reviewed the related documentary sources and we conducted interviews to corroborate the qualitative data (organization, policies, actions), we performed analytical procedures on the quantitative data and verified, on a test basis, that such data had been correctly calculated and consolidated; we also checked their consistency with the other data presented in the management report;
- For a representative sample of the sites we selected[3] in view of their activity, their contribution to the consolidated indicators, their location and a risk analysis, we conducted interviews to verify the correct application of the procedures and identify any omissions, and carried out detailed tests on a sampling basis, checking the calculations made and the consistency of data in the supporting documents. The sample selected in this way represents 73% of the Group's workforce, 100% of Parrot S.A. France's workforce and 100% of the quantitative environmental data concerning Parrot S.A.'s head office at Quai de Jemmapes in Paris.

For the other consolidated CSR data, we assessed their consistency in relation to our knowledge of the Company.

Lastly, we assessed the relevance of explanations relating to the total or partial omission of certain data, if applicable.

We consider that the sampling methods and sample sizes that we have used, exercising our professional judgment, allow us to express a conclusion of moderate assurance; a higher level of assurance would have required more extensive

[3] Head office of Parrot S.A. Paris, Quai de Jemmapes

verification work. As a result of the use of sampling techniques, and the other limitations inherent in the functioning of any internal control and information system, the risk of a material anomaly in the CSR Data not being detected cannot be ruled out entirely.

Conclusion

Based on our work, we have not identified any material anomalies likely to call into question the fact that the CSR Data overall are presented in a true and fair way, in accordance with the Reporting Standards.

Paris La Défense, April 17, 2014

KPMG Audit

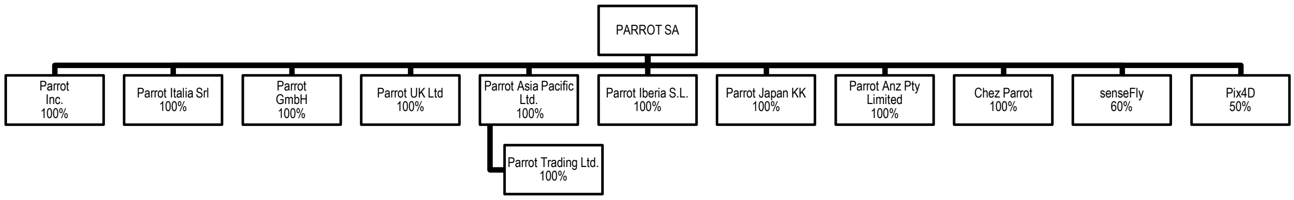
Philippe Arnaud
Partner
Climate Change &
Sustainable Development Department

Eric Lefebvre
Partner

VII. Structure

7.1. Group structure

Structure of the Company's subsidiaries (with the capital interest held) on the filing date for the present reference document



At December 31, 2013, the Company at the head of the Group directly owned all of the following companies:

- Parrot, Inc., fully-owned American subsidiary;
- Parrot Italia S.r.l., fully-owned Italian subsidiary;
- Parrot GmbH, fully-owned German subsidiary;
- Parrot UK Ltd, fully-owned UK subsidiary;
- Parrot Asia Pacific Ltd, fully-owned subsidiary based in Hong Kong;
- Parrot Trading (Shenzhen) Ltd, Chinese sub-subsidiary fully-owned through Parrot Asia Pacific Ltd;
- Parrot Iberia, S.L., fully-owned Spanish subsidiary;
- Parrot Japan K.K, fully-owned Japanese subsidiary;
- Parrot ANZ Limited, fully-owned Australian subsidiary (created in September 2012);
- Chez Parrot S.A.R.L., fully-owned French subsidiary (created in April 2012);
- senseFly, 60.4%-owned Swiss subsidiary (acquired in September 2012);
- Pix4D[4], a 31.0%-owned Swiss subsidiary (acquired in September 2012), has been consolidated on an equity basis since January 1, 2013 (at December 31, 2012, the securities were classed as Other Financial Assets).

7.2. Presentation of the Group's companies

The Company wanted to extend its international reach and incorporate and ensure the long-term viability of its distribution network through the subsidiaries it has set up (namely Parrot, Inc., Parrot Italia S.r.l., Parrot UK Ltd, Parrot GmbH, Parrot Asia Pacific Ltd, Chez Parrot S.A.R.L., Parrot ANZ Ltd and Parrot Japan KK) or acquired (namely Parrot Iberia, S.L. formerly Inpro Tecnologiá S.L.), which are presented hereafter. The Company also capitalizes on opportunities for external growth with a view to accelerating its development on related high-potential markets (Varioptic and DiBcom, merged into Parrot S.A., as well as senseFly and/or Pix4D).

Mr. Henri Seydoux, the Company's Chairman and Chief Executive Officer, is also the manager of the following subsidiaries: Parrot, Inc, Parrot UK Ltd, Parrot Asia Pacific Ltd, Parrot Iberia, S.L., Parrot Italia S.r.l. and Parrot GmbH. Mr. Henri Seydoux is also the manager of Chez Parrot S.A.R.L. and a director of senseFly and Pix4D (cf. 14.1.1 Offices held by directors and executives over the past five years).

In addition, Mr. Edward Planchon, a Company director, is also Vice-President, Secretary and Treasurer of Parrot, Inc. and a director of Parrot UK Ltd and Parrot Iberia S.L. (cf. 14.1.1 Offices held by directors and executives over the past five years).

[4] In January 2014, Parrot's interest was raised to 50.1%.

- **In 2013, each subsidiary individually recorded the following amounts of corporate sales (including invoicing within the Group):**

- Parrot, Inc.: 27.3 M€ compared with 28.6 M€ in 2012;
- Parrot Italia S.r.l.: 1.4 M€ compared with 3.3 M€ in 2012;
- Parrot GmbH: 2.4 M€ compared with 4.9 M€ in 2012;
- Parrot UK Ltd: 2.0 M€ compared with 3.9 M€ in 2012;
- Parrot Asia Pacific Ltd: 152.5 M€ compared with 198.5 M€ in 2012;
- Parrot Trading (Shenzhen) Ltd: 7.2 M€ compared with 4.6 M€ in 2012;
- Parrot Iberia: 7.8 M€ compared with 13.0 M€ in 2012;
- Parrot S.A.: 109.7 M€ compared with 129.4 M€ in 2012;
- Parrot Japan KK: 1 M€ compared with 1.4 M€ in 2012;
- Parrot ANZ Ltd: 0.8 M€ compared with 0.4 M€ in 2012;
- Chez Parrot S.A.R.L.: 0.5 M€ compared with 0.1 M€ in 2012;
- senseFly: 6.3 M€ compared with 0.8 M€ in 2012;
- Pix4D: 2.3 M€ compared with 0.6 M€ in 2012.

Further information is also available in the point on “Subsidiaries and equity interests” in Section 20.4.3.3 Note 3 – Balance sheet information.

Parrot, Inc.

Parrot, Inc. is an American-law limited company with a capital of USD 1,000. It was incorporated in New York State on January 30, 2004. Its registered office is located at Clayton & McKervey, P.C., 27777 Franklin Road, Suite 1200, Southfield, MI 48034, USA.

Parrot, Inc.'s corporate purpose is to develop, market and sell Parrot telecommunications and IT products. It may also carry out any operation which might directly or indirectly support its corporate purpose. In this way, it may set up branches and acquire interests in other businesses.

At December 31, 2013, Parrot, Inc. employed 26 people (compared with 22 at December 31, 2012).

Parrot Italia S.r.l.

Parrot Italia S.r.l. is an Italian-law limited liability company with a share capital of 10 K€. It was registered on January 19, 2005 in the Italian trade register under number IT 04717030961. Its registered office is located at Via Lattanzio 23, 20137 Milan, Italy.

Parrot Italia S.r.l.'s corporate purpose is to develop, market and sell Parrot telecommunications and IT products. It may also carry out any operation which might directly or indirectly support its corporate purpose. In this way, it may set up branches and acquire interests in other businesses.

At December 31, 2013, Parrot Italia S.r.l. employed 9 people (unchanged from December 31, 2012).

Parrot UK Ltd

Parrot UK Ltd is an English-law limited liability company with a share capital of 100 pounds, split into 100 shares of 1 pound each. It was incorporated on June 14, 2005 under number 5480392. Its registered office is located at MGI Wenham Major LLP, 89, Cornwall street, Birmingham B3 3BY (UK).

Parrot UK Ltd's corporate purpose is to develop, market and sell Parrot telecommunications and IT products. It may also carry out any operation which might directly or indirectly support its corporate purpose. In this way, it may set up branches and acquire interests in other businesses.

At December 31, 2013, Parrot UK Ltd employed 13 people (compared with 15 at December 31, 2012).

Parrot GmbH

Parrot GmbH is a German-law company with a share capital of 25 K€. It was incorporated on April 29, 2005 and registered on July 8, 2005 under number HR 157910. Its registered office is located at EuroTaxControl GmbH, Englmannstrasse 2, 81673 Munich (Germany).

Parrot GmbH's corporate purpose is to develop, market and sell Parrot telecommunications and IT products. It may also carry out any operation which might directly or indirectly support its corporate purpose. In this way, it may set up branches and acquire interests in other businesses.

At December 31, 2013, Parrot GmbH employed 14 people (compared with 7 at December 31, 2012). The increase in the number of employees is attributable to the creation of a sales office in Poland, linked to Parrot GmbH.

Parrot Asia Pacific Ltd

Parrot Asia Pacific Ltd is a private company limited by shares with a share capital of 10,000.00 Hong Kong dollars split into 10,000 shares of 1 Hong Kong dollar each. It was incorporated on July 25, 2005 under number 985350. Its registered office is located at Suite 501B, 5th Floor, Ocean Centre, 5 Canton Road, Tsim Sha Tsui, Kowloon, Hong-Kong (China).

Parrot Asia Pacific Ltd's corporate purpose is to develop, market and sell Parrot telecommunications and IT products. It may also carry out any operation which might directly or indirectly support its corporate purpose. In this way, it may set up branches and acquire interests in other businesses.

At December 31, 2013, Parrot Asia Pacific Ltd employed 107 people, with 86 in Shenzhen and 21 in Hong Kong (compared with 111, with 92 in Shenzhen and 19 in Hong Kong at December 31, 2012).

Parrot Iberia, S.L.

Parrot Iberia, S.L. is a Spanish-law company with a share capital of 63,036 euros split into 10,506 shares of 6 euros each.

It was acquired by Parrot in 2005 and is registered under number B82129099. Before the Company's acquisition of a 100% of its capital, Parrot Iberia S.L. (formerly Inpro Tecnologiá) was the Company's exclusive distributor in Spain (mutually exclusive rights). Its registered office is located at Augustin Duran 24, 28028 Madrid, Spain.

Parrot Iberia S.L. corporate purpose is to develop, market and sell Parrot telecommunications and IT products. It may also carry out any operation which might directly or indirectly support its corporate purpose. In this way, it may set up branches and acquire interests in other businesses.

At December 31, 2013, Parrot Iberia, S.L. employed 17 people (compared with 23 at December 31, 2012).

Parrot Japan KK

Parrot Japan KK is a Japanese-law company with a share capital of 10,000,000 Yen. It was incorporated on April 30, 2009 and registered on April 30, 2009 under number 0104-01-081734. Its registered office is located at PMC Building 1-23-5, Higashi-Azabu, Minato-ku, Tokyo.

Parrot Japan KK is working to deploy the Key Account products.

At December 31, 2013, Parrot Japan KK employed 6 people (unchanged from December 31, 2012).

Parrot ANZ Ltd

Parrot ANZ Ltd is a French-law company with a capital of 10,000 $AUD. It was incorporated on July 11, 2012 and registered under number 159443820. Its registered office is located at 68-72 Rock Street, South Melbourne, Victoria 3205, Australia.

Parrot ANZ Ltd's corporate purpose is to develop, market and sell Parrot telecommunications and IT products. It may also carry out any operation which might directly or indirectly support its corporate purpose. In this way, it may set up branches and acquire interests in other businesses.

At December 31, 2013, Parrot ANZ Ltd employed 2 people (unchanged from December 31, 2012).

Chez Parrot S.A.R.L.

Chez Parrot is a French-law company with a capital of 10 000 euros. It was incorporated on April 27, 2012 and registered on May 29, 2012 under number 751 758 848 000 12. Its registered office is located at 30, rue du 4 Septembre, 75002 Paris, France.

The company Chez Parrot S.A.R.L. sells telecommunications equipment on a retail basis in a specialized store.

At December 31, 2013, Chez Parrot employed 4 people (unchanged from December 31, 2012).

senseFly

senseFly is a Swiss-law company with a capital of 185 104,43 CHF It was incorporated on November 30, 2009 and registered under number CH-550.1.063.796-3. Its registered office is located at 11, Chemin de la Venoge, 1024 Ecublens VD, Switzerland.

senseFly's activity involves the development, manufacturing and marketing of intelligent mobile systems and software, as well as all related services.

The subsidiary senseFly, in which Parrot acquired a 60.4% capital stake on July 23, 2012, has been fully consolidated since the second half of 2012.

At December 31, 2013, senseFly employed 47 people (compared with 31 at December 31, 2012).

Pix4D

Pix4D is a Swiss-law company with a capital of CHF 100,000. It was incorporated on June 1, 2011 and is registered under number CH-5501938772. Its registered office is located at EPFL Innovation Park - Building D, 1015 Lausanne.

Pix4D's business involves the development of algorithms and image analysis programs to help robots navigate within 3D spaces and generate models.

At December 31, 2013, Pix4D had 25 employees.

The subsidiary Pix4D, in which a 31.0% capital stake was acquired in September 2012, has been consolidated on an equity basis since January 1, 2013 (at December 31, 2012, the securities were classed as Other Financial Assets). On January 29, 2014, Parrot's interest in Pix4D was raised to 50.1% (cf. 20.2.33 "Note 33 – Post-balance sheet events").

Further information on the Group's companies is provided in Section 20.1.3 "Comprehensive income statement" and in Section 20.4.3.3 "Note 3 – Balance sheet information".

VIII. Property, plant and equipment

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

The parent company operates out of its registered office in the premises located at 174-178, quai de Jemmapes, 75010 Paris, France, occupied under leases entered into with the real estate company Neuilly Château S.A. There are no links between the real estate company Neuilly Château S.A. and the Company or any of its executives. Neither are there any links between any of the Group's lessors and the Company, its subsidiaries or any of their executives.

IX. Review of the financial position and earnings

9.1. Review of the financial position

In 2013, Parrot recorded 235.1 M€ in revenues, with 16% growth (-14.5% at constant exchange rates). In line with the Group's objectives for 2013, the ongoing strategy for expansion and innovation, reflected in various acquisitions and the continued ramping up of R&D efforts, has been rolled out while maintaining the main management balances.

Change in revenues

To reflect the changes in its activities, and particularly its breakthrough in Consumer Electronics and Drones, Parrot adopted a new financial reporting framework at the end of 2013. With the new reporting format:

- The **Consumer Electronics business** groups together revenues from the audio products (ZIK, ZIKMU) and plug & play products (Parrot MINIKIT range), as well as the connected devices and toys (FLOWER POWER) sold to consumers through the distribution networks and online;
- The **Automotive business** groups together revenues from installed handsfree kits (Parrot CK and Parrot MKi range) and infotainment products (Parrot ASTEROID range) sold to consumers through the distribution networks (Retail Automotive), as well as revenues from the Bluetooth, digital music and infotainment solutions sold directly to manufacturers and their OEM providers (Key Account Automotive);
- The **Drone business** groups together revenues from sales of retail drones (Parrot AR.Drone), sold to consumers through the distribution networks and online, as well as revenues from commercial and civil drones, sold through specialized distribution networks.
- The "Other" business includes revenues generated by Varioptic's sales.

The following tables compare the previous and new reporting formats.

Breakdown of consolidated revenues by business (previous reporting format)

Consolidated accounts - IFRS (€M and % of revenues)	2012		2013	
Installed handsfree systems	59.6	21%	49.9	21%
Plug & Play products	12.2	4%	12.6	5%
Multimedia products	53.1	19%	52.7	22%
Other	5.1	2%	4.8	2%
Total Retail revenues	**130.0**	**46%**	**120.0**	**51%**
Total Key Account revenues	**150.5**	**54%**	**115.2**	**49%**
Group total	**280.5**	**-**	**235.2**	**-**

Breakdown of revenues by business (new reporting format)

Consolidated accounts - IFRS (€M and % of revenues)	2012		2013	
Consumer Electronics	**23.6**	**8%**	**29.5**	**13%**
Audio	11.3	4%	15.0	6%
Plug & Play	12.3	4%	13.2	6%
Connected devices and toys	0	-	1.3	1%
Automotive	**212.5**	**76%**	**162.6**	**69%**
Retail	64.6	23%	54.6	25%
Key Accounts	147.8	56%	107.9	43%
Drones	**42.4**	**15%**	**42.1**	**18%**
Retail	41.7	15%	35.8	15%
Key Accounts	0.7	0%	6.3	3%
Other	**2.0**	**1%**	**1.0**	**0%**
Group total	**280.5**	**-**	**235.2**	**-**

Consumer Electronics

Consumer Electronics revenues (13% of Group revenues, versus 8% in 2012) climbed to 29.5 M€, up 25% on the previous year. This performance highlights Parrot's ability to successfully develop original products in line with new uses in the connectivity and mobility fields.

Automotive

Automotive revenues (69% of Group revenues, versus 76% in 2012) came to 162.6 M€, down 24% in relation to the previous year. Parrot has continued moving forward with its transition towards infotainment, generating 16.4 M€ of revenues on this new market (+292% versus 2012). Parrot has been the first automotive connectivity player to launch a full range of retail infotainment products (Parrot ASTEROID) and has already delivered more than 18,000 infotainment solutions for its first two automotive manufacturer customers out of a total of eight contracts signed.

Drones

Drone revenues (18% of Group revenues, versus 15% in 2012) came to 42.1 M€, compared with 42.4 M€ in 2012. Retail drones represented 15% of the Group's revenues, with commercial drones coming in at 3%. The figures are virtually stable, reflecting: (i) lower Parrot AR.Drone 2 sales two years after its release, pending the launch of a next retail drone, and (ii) the dynamic development of the new commercial drone business: with 6.3 M€ in revenues for the year, up from 0.7 M€ in 2012, Parrot is already positioning itself as a major player on this rapidly developing market.

Other

“Other” revenues for the year came to 1 M€.

9.2. Change in consolidated earnings

€'000 / K€	2012	2013
Revenues	**280,529**	**235,150**
Cost of sales	-137,646	-116,843
Gross margin	**142,883**	**118,308**
% of revenues	50.9%,	50.3%,
Research and development costs (1)	**-39,353**	**-45,639**
% of revenues	14%	19.4%
Sales and marketing costs	**-46,629**	**-39,976**
% of revenues	16.6%	17.0%
General costs	**-14,253**	**-14,492**
% of revenues	5.1%	6.2%
Production and Quality	**-10,865**	**-11,928**
% of revenues	3.9%	5.1%
Current income from operations	**31,783**	**6,273**
% of revenues	11.3%	2.7%
Non-current operating income	-	-
Non-current operating expenses	-303	-198
Income from operations	**31,481**	**6,075**
% of revenues	11.2%	2.6%
Income from cash and cash equivalents	1,523	1,344
Cost of gross financial debt	-874	-744
Cost of net financial debt	650	599
Other financial income and expenses	-993	-880
Financial income / expense	**-343**	**-280**
Share in income from equity affiliates	-356	-174
Corporate income tax	-6,473	-4,430
Net income attributable to Parrot S.A. shareholders	**24,310**	**1,190**
Net income (Group share)	**24,534**	**1,557**
Non-controlling interests	-224	-366
% of revenues	8.7%	0.7%

9.2.1. Revenues

The consolidated accounts show 235,150 K€ in consolidated revenues, down 16% on the previous year (280,529 K€), in line with the technological transition underway for the Automotive business and Parrot's positioning on the infotainment market. For further details on the breakdown of consolidated revenues, refer to 3.1.3 "Breakdown of revenues by product range" and 9.2.1 "Revenues".

9.2.2. Cost of sales and gross margin

The gross margin came to 50.3% of revenues, in line with the Group's business model.

9.2.3. Operational costs

Current operating expenses totaled 112,054 K€, up 0.8% compared with the 111,100 K€ recorded one year earlier. Since January 1, 2011, the French research tax credit (CIR) has been considered to be an operating subsidy. The research tax credit came to 5,994 K€ in 2013, with 2,531 K€ booked against operating expenses and the balance against capitalized development costs.

- **Research and development costs**

In 2013, the Group recorded 45,639 K€ in research and development costs, representing 19.4% of revenues, versus 39,353 K€ in 2012 (14.0% of 2012 revenues), an increase of 6,286 K€ (+16%) in line with the ramping up of resources allocated for the deployment of the new infotainment solutions. Three Retail infotainment products were launched in February 2013, while two Key Account infotainment solutions were released in 2013 and a further five infotainment contracts are expected to be released in 2014 and 2015.

Sales and marketing costs

In 2013, the Group's sales and marketing costs came to 39,976 K€, representing 17.0% of revenues, compared with 46,629 K€ in 2012 (16.6% of 2012 revenues), down 6,653 K€ (-14%). The decrease in sales and marketing costs is linked to the effective control over spending, focused in priority on R&D, as well as the low number of product launches during the year.

Production and quality

In 2013, the Group recorded 11,928 K€ in production and quality costs, representing 5.1% of revenues, versus 10,865 K€ in 2012 (3.9% of 2012 revenues), giving an increase of 1,063 K€ (+10%). The increase in production and quality costs is linked to sales starting up for the new products: Parrot ASTEROID and Parrot FLOWER POWER.

General and administration costs

In 2013, the Group’s general and administration costs came to 14,492 K€, equivalent to 6.2% of revenues, compared with 14,253 K€ in 2012 (5.1% of 2012 revenues), representing an increase of 239 K€ (+2%). The increase in general and administration costs factors in the consolidation of senseFly over a full year, partially offset by the Group’s cost control policy.

9.2.4. Current operating income

Current operating income came to 6,273 K€, giving a current operating margin of 2.7%, compared with 11.3% one year earlier. Current operational profitability came to 2.4% of revenues for the first half of 2013 and 2.8% for the second. The operating margin for 2012 was 2.6% of revenues.

Non-current operating expenses for 2013 correspond to a -2,800 K€ impairment for the Varioptic CGU, less the adjustment of the earnout payable in 2015 for 2,265 K€ (the fair value of the liability after this adjustment comes to 729 K€), and the reversal of the depreciation of bonus shares with performance conditions awarded to the subsidiary’s executives in 2011, representing 339 K€.

Considering the changes in the markets on which the Group is positioned, as well as the products designed and sold, and its operational organization, the Group's four recognized business segments at December 31, 2013 were Consumer Electronics, Automotive, Drones and Other. As a result, the Group's reporting framework is presented as follows:

Main aggregates for each business (new reporting format)

Consolidated accounts - IFRS (€M)	Consumer Electronics	Automotive	Drones	Other
Revenues	29.5	162.6	42.1	1.0
EBIT	-5.8	14.3	0.1	-2.4
% of revenues	-19.7%	8.8%	0.4%	NS

EBIT for each segment comprises:

- Revenues for each segment;
- Production costs and operating expenditure (R&D, sales and marketing costs) for each segment;
- Allocation of costs for the functional divisions, prorated to revenues.

9.2.5. Financial costs

The net financial result came to -280 K€ in 2013, compared with -343 K€ in 2012.

9.2.6. Earnings for the period

In 2013, net income (Group share) totaled 1,557 K€, representing 0.7% of revenues, compared with 24,534 K€ and 8.7% respectively in 2012.

9.3. Change in Parrot S.A. earnings

For further information, refer to Section 20.4 below “Parrot S.A. annual financial statements for 2013” in this Reference Document.

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

Net revenues came to 109,640 K€, compared with 129,378 K€ for the previous year.

Operating income came to 161,524 K€, compared with 206,455 K€ the previous year.

Operating expenses came to 175,097 K€, compared with 195,705 K€ the previous year.

The R&D costs for the former DiBcom in 2013 were combined with the R&D costs for Parrot S.A.. In 2012, they represented 19% of the overall R&D costs, with a total of 8,935 K€ in 2012.

EBIT came to -13,573 K€, compared with 10,749 K€ the previous year.

A 2,213 K€ financial loss was recorded, compared with 5,487 K€ in income the previous year.

Non-recurring items show a loss of 379 K€, compared with a 187 K€ loss for the previous year. A net accounting loss of 12,130 K€ was recorded in 2013, compared with a net accounting profit of 22,963 K€ the previous year.

9.3.2. Main balance sheet items for Parrot S.A.

Share capital and shareholders' equity

The Company's share capital comprises 12,655,293 shares, down 153,950 shares as a result of the 200,000 shares cancelled and the 46,050 stock options exercised by the Group's staff.

At December 31, 2013, the Company had 132,023 K€ in shareholders' equity, down 16,528 K€ from the previous year.

Other equity

The 3,119 K€ conditional advance received by the former DiBcom from OSEO, the French innovation agency, is based on the following conditions for repayment:

- Less than 12 M€ in revenues: no repayment;
- 12 M€ to 90 M€ in revenues, before December 31, 2016: repayment of 4% of revenues, up to the 3.1 M€ advance;
- 90 M€ to 160 M€ in revenues, before December 31, 2019: gradual repayment of 2% of revenues;
- Over 160 M€ in revenues, before December 31, 2019: gradual repayment of 1% of revenues.

An industrial and commercial report on the project is submitted annually to OSEO. The repayment schedule for the 700 K€ conditional advance received by the former Varioptic, initially repayable from September 2010, was redefined with the amendment dated September 28, 2010, running from September 30, 2012 to June 30, 2016. At December 31, 2013, this OSEO advance represented 534 K€, including 166 K€ under one year.

Debt

Non-convertible bonds:

In October 2010, Varioptic issued convertible bonds subscribed for by the main investment funds which were already shareholders in Varioptic, for a total of 1.1 M€.

In connection with Varioptic's acquisition, the convertible bonds were restructured as follows:

- Holders waived their conversion option;
- Immediate cash repayment of 250 K€ on closing;
- The outstanding capital and accrued interest, i.e. 851 K€, was refinanced as straight bonds, redeemable in four installments through to December 31, 2014, with an interest rate indexed against the three-month Euribor;
- The third 213 K€ installment was redeemed at the end of December 2013, taking the outstanding capital down to 213 K€ (redeemable in under one year).

Sundry borrowings and financial debt:

The earnout for the Varioptic BU has been reviewed based on a new business plan. The potential earnout for Varioptic will be payable in 2015, depending on the revenues achieved by Varioptic in 2014. The value of the debt came to 729 K€ at December 31, 2013.

At December 31, 2013, two conditional long-term loans are recorded for senseFly for a total of 97 K€ (government loans to support young businesses).

Borrowings and debt with credit institutions:

At December 31, 2013, the breakdown of borrowings and debt with credit institutions was as follows:

- Credit line drawdowns: 17 M€ (LCL: 10 M€ and HSBC: 7 M€)
- Fair value of swaps: 385 K€
- Overdraft line partially used with Banque Palatine: 1,181 K€

Medium-term financing:

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

Trade payables

At December 31, 2013, the Company's aged creditors balance shows a total of 16,698 K€ (excluding accrued expenses).

Outstanding balance at Dec 31, 2013	Future maturity	0 - 10 days	11 – 20 days	21 – 30 days	31 – 60 days	>61 days
-16,698	-11,174	-3,753	-273	-398	-979	-121

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

A certain number of factors could have a significant impact on the Group's earnings. For further information, please refer to Chapter IV above "Risk factors".

9.5. Five-year financial summary

Breakdown	2009	2010	2011	2012	2013
I. Capital at year-end					
a) Share capital (*)	1,970,217	1,961,660	1,965,401	1,952,766	1,929,304
b) Number of existing ordinary shares	12,923,747	12,867,615	12,892,145	12,809,264	12,655,293
c) Number of existing priority dividend shares (without voting rights)	-	-	-	-	-
d) Maximum number of future shares to be created:	-	-	-	-	-
- by converting bonds	-	-	-	-	-
- by exercising subscription rights	3,497,279(5)	3,423,127(4)	1,122,832(3)	942,134(2)	784,371(1)
II. Operations and earnings for the year					
a) Revenues (net of tax)	118,375,849	139,034,985	143,107,682	129,378,455	109,639,970
b) Earnings before tax, employee profit-sharing, depreciation and provisions	17,956,126	30,932,584	22,725,630	31,363,838	-11,795,072
c) Corporate income tax	-4,006,195	1,257,652	-3,923,709	-6,913,729	-4,034,566
d) Employee profit-sharing due for the year	-	505,084	-	-	-
e) Earnings after tax, employee profit-sharing, depreciation and provisions	14,586,258	17,472,449	7,768,900	22,963,227	-12,130,495
f) Distributed earnings	-	-	-		
III. Earnings per share					
a) Earnings after tax and employee profit-sharing, but before depreciation and provisions	1.72	2.27	2.07	2.99	-0.61
b) Earnings after tax, employee profit-sharing, depreciation and provisions	1.13	1.36	0.60	1.79	-0.96
c) Dividend per share	-	-	-		
IV. Workforce					
a) Average headcount over the year	316	369	446	542	589
b) Annual payroll	16,732,546	18,390,251	30,909,596	31,817,947	33,519,692
c) Amount of sums paid for employee benefits for the year (social security, benefits, etc.)	8,613,101	11,776,326	16,596,032	19,289,107	16,131,645

(1) 143,700 bonus shares + 640,671 stock options.
(2) 272,213 bonus shares + 669,921 stock options.
(3) 325,663 bonus shares + 797,169 stock options.
(4) 2,574,085 company founder equity warrants + 164,342 bonus shares + 684,700 stock options.
(5) 2,711,387 company founder equity warrants + 25,000 stock warrants + 175,592 bonus shares + 585,300 stock options.

X. Cash and capital

10.1. Cash

At December 31, 2013 the Group's cash position, including other financial assets, came to 98.1 M€, compared with 106.2 M€ at December 31, 2012. Free cash flow is invested in risk-free products based primarily on underlying rates for a maximum of three months. Net cash after liabilities came to 78.7 M€ at December 31, 2013.

Cash from operating activities came to 19.5 M€, down 19.2 M€ compared with the previous year, primarily reflecting the impact of working capital requirements on cash flow from operations in 2012.

Investments represented 20.3 M€, some 14.7 M€ lower the previous year, linked to the acquisition of the two companies Varioptic and DiBcom.

In 2012, the Group implemented three share buyback mandates for 5.7 M€.

The Group's debts, came to 25.0 M€: 23.8 M€ in borrowings from credit institutions to finance the acquisitions and 1.2 M€ contributed by Varioptic (bonds and OSEO liability).

In this way, net cash after liabilities came to 81.2 M€ at December 31, 2012.

There are no post-balance sheet events to report that might have a significant impact on the Group's cash position.

- The Group's consolidated cash flow (IFRS):

In K€	2012	2013
Operating cash flow		
Earnings for the period	24,310	1,190
Share in income from equity affiliates	356	174
Depreciation and amortization	6,595	9,728
Depreciation and provisions on assets (excl. current assets)		12,936
Impact of the adjustment of earnouts		-2,258
Provisions recorded as liabilities		-949
Capital gains and losses on disposals	27	708
Tax charges	6,473	4,430
Cost of share-based payments	4,108	3,058
Cost of net financial debt	-650	-599
Cash flow from operations before tax and cost of net financial debt	**41,218**	**18,690**
Working capital	-18,095	10,605
Tax due	-3,965	-5,682
NET CASH FROM OPERATING ACTIVITIES (A)	**19,158**	**23,614**
Investing cash flow		
Acquisition of tangible and intangible assets	-17,342	-15,905
Acquisition of subsidiaries, net of cash acquired	-894	-
Acquisition of long-term financial investments	-2,085	-1,536
Increase in other current financial assets	-49	27
Disposal of tangible and intangible assets	-	-
Disposal of long-term financial investments	26	40
CASH FROM INVESTMENT ACTIVITIES (B)	**-20,344**	**-17,375**
Financing cash flow		
Equity contributions(1)	1,243	286
Dividends paid	-	-
Receipts linked to new loans	-	-
Other financing	-	-
Cash invested for over 3 months	758	-9,565
Cost of net financial debt	650	599
Repayment of short-term financial debt (net)	-6,317	-6,352
Repayment of other debt	-	-
Acquisition of treasury stock(2)	-5,609	-8,423
CASH FROM FINANCING ACTIVITIES (C)	**-9,275**	**-23,455**
NET CHANGE IN CASH POSITION (D = A+B+C)	**-10,461**	**-17,217**
Net exchange rate differences	44	-1,633
CASH AND CASH EQUIVALENTS AT YEAR-START	**83,530**	**73,113**
CASH AND CASH EQUIVALENTS AT YEAR-END	**73,113**	**54,263**
Other current financial assets	33,107	42,671
CASH, CASH EQUIVALENTS AND OTHER FINANCIAL ASSETS AT YEAR-END	**106,219**	**96,934**

(1) Capital increase through exercising of option.

(2) Treasury share buyback (cf. 20.2.20.3 "Treasury shares").

10.2. Sources and amount of cash flow

10.2.1. Net cash from operations

The Group's net cash from operating activities came to 23.6 M€ in 2013, up 4.5 M€ compared with the previous year. To some extent, it reflects the impact in 2013 of the reduction in working capital requirements.

There are no post-balance sheet events to report that might have a material impact on the Group's cash position.

10.2.2. Cash from investment activities

Investments represented a total of 17.4 M€, down 3.0 M€ on the previous year.

10.2.3. Net cash from financing activities

In 2013, the Group implemented two share buyback mandates for 8.2 M€.

The Group's debt represented 19.4 M€, compared with 25.0 M€ at December 31, 2012: 18.6 M€ of borrowings and debt with credit institutions, 0.7 M€ contributed by Varioptic (bonds and OSEO liability) and 0.1 M€ for senseFly (conditional long-term loans).

As a result, net cash after liabilities came to 78.7 M€.

10.3. Company financing lines

Since the start of 2013, the Company has had authorized overdraft lines and an import documentary letter of credit with the banks Palatine, HSBC and BNP representing a total of 8.3 M€, enabling it to cover all or part of any temporary fluctuations in its cash flow.

The short-term financing lines can be broken down as follows:

HSBC

- An unconfirmed overdraft line for 2 M€ with an annual interest rate of 1% over the three-month EURIBOR; this line is not guaranteed;
- An import documentary letter of credit for 3.3 M€;

BNP

- An unconfirmed overdraft line for 1 M€ with an annual interest rate of 0.90% over the EONIA; this line is not guaranteed;

PALATINE

- An unconfirmed overdraft line for 2 M€ with an annual interest rate of 0.80% over the three-month EURIBOR: this line is not guaranteed.

There are no specific repayment or default clauses on the overdraft authorizations granted by the banks PALATINE, BNP and HSBC. By December 31, 2013, the Company had used 1,181 K€ of the abovementioned financing line with Banque Palatine.

10.4. Credit agreement

10.4.1. Information concerning the use of financial instruments

Under the various loan agreements - taken out on July 1, 2011 with its banking partners HSBC, LCL and Crédit Agricole Ile de France - to finance all or part of its external growth, the Parrot Group is exposed to the rate risk, and more specifically fluctuations in the three-month Euribor, the variable rate against which the credit line drawdowns are indexed.

To hedge this exposure, the Parrot Group decided to take out swap agreements to protect itself against interest rate fluctuations. The Company decided to apply hedge accounting at December 31, 2013.

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

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

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

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

10.4.2. Use of credit agreements in 2013

On July 1, 2011, Parrot S.A. set up two credit opening agreements with drawdown notices, repayable on a quarterly basis, with its banking partners - HSBC (for 15 M€) and LCL (for 20 M€) - and a revolving loan agreement with drawdown notices with Crédit Agricole Ile de France (for 10 M€), to finance all or part of its external growth. These three contracts cover a five-year period (maturing on July 1, 2016) and are indexed against the three-month Euribor.

To hedge its exposure to the rate risk, and more specifically fluctuations in the three-month Euribor, against which the credit line drawdowns are indexed, the Company decided to take out two variable-fixed rate swap agreements (2.085% for 20 M€ of capital and 1.85% for 10 M€) in order to protect itself against interest rate fluctuations.

The Company also decided to apply hedge accounting for these two instruments at December 31st.

At December 31, 2013, the breakdown of borrowings and debt with credit institutions was as follows:

- Credit line drawdowns: 17 M€ (LCL: 10 M€ et HSBC: 7 M€)
- Fair value of swaps: 385 K€
- Overdraft line (Palatine): 1,181 K€

The following ratios were respected at December 31, 2013:

- Consolidated net financial debt / consolidated EBITDA;
- Consolidated gross financial debt / consolidated equity (Group share);
- Consolidated net financial debt / consolidated equity.

10.5. Contractual obligations

Please refer to Section XXII below "Significant contracts" in the present reference document for the contractual obligations of Parrot.

XI. Research and development

11.1. R&D organization and strategy

■ A key part of the Group's success

The Group's research and development activities are a key element, particularly for its competitive edge, flexibility, cost savings and technological independence. R&D aspects are also covered in other sections in this reference document, notably: Section IV "Risk factors", and more specifically the risks described in Sections 4.1.4 "The Group could face difficulties in deploying its Group products on Electronics mass retail markets", 4.2.5 "The Group's target markets are subject to rapid technological change and frequent launches of new products", 4.2.7 "The Group's activities are dependent on technical standards" as well as 6.6.3 "Significant investments in research and development".

Parrot's Research and Development is focused on four goals:

- Improving existing products by incorporating ever more features;
- Developing new technologies by expanding its portfolio of technologies to position itself in the emerging market of automotive infotainment;
- Exploring new possibilities for mobile phone accessories or more generally wireless technologies.
- Deploying commercial and civil drone technologies, targeting requirements in the agricultural, aerial mapping and surveillance fields in priority.

11.1.1. Innovation strategy and process

With a team of 500 engineers educated in the most prestigious French and foreign schools (École Supérieure d'Électricité, École Nationale Supérieure des Télécommunications, École Centrale des Arts et Manufactures, École Polytechnique, Georgia Tech, Stanford University, etc.), the Group has vertical expertise across all the technologies required for developing its products. More specifically, it designs its own integrated electronic circuits and chips (Parrot4+, Parrot5, Parrot 5+, Parrot 6 and more recently Parrot 7 ASICs), as well as its own signal processing algorithms.

The Group also stands out through its expertise on the Bluetooth stack (series of software layers for implementing the Bluetooth standard), an essential condition for ensuring the development of products upstream and achieving the best interoperability during their lifecycle (cf. 11.2.7 below "Software development" in the present reference document).

Today, the Group is also moving forward with its strategy for innovation looking beyond the handsfree telephony sector, while continuing to capitalize on its signal processing expertise. In this way, the Company has made substantial investments in vehicle and domestic digital music. These investments have enabled excellent technical results to be achieved, including the development of the psychoacoustic audio effects algorithm, virtual basses and sound spatialization. These technologies are present in Parrot's products, and more specifically the ZIK Parrot wireless headphones and several handsfree kit ranges combining handsfree telephony with music features (Parrot MKi and Parrot ASTEROID). At the same time, the Group has significantly increased its connectivity portfolio with the integration of USB, SD, iPod and Wi-Fi interfacing technologies into Parrot's products. Lastly, the company has invested in new automatic and video processing technologies, notably paving the way for the development of the AR.DRONE, a revolutionary quadricopter capable of flying by itself thanks to two onboard cameras, an inertial unit and ultrasound sensors.

In line with its development plan for 2013, the Company increased its capacity for innovation by further strengthening its R&D teams. In particular, work focused on developing the next generation of Parrot chips, as well as the Group's infotainment platform (Parrot ASTEROID).

In 2013, R&D spending totaled 45,714 K€, representing 19.4% of revenues, compared with 39,353 K€ and 14% of revenues in 2012.

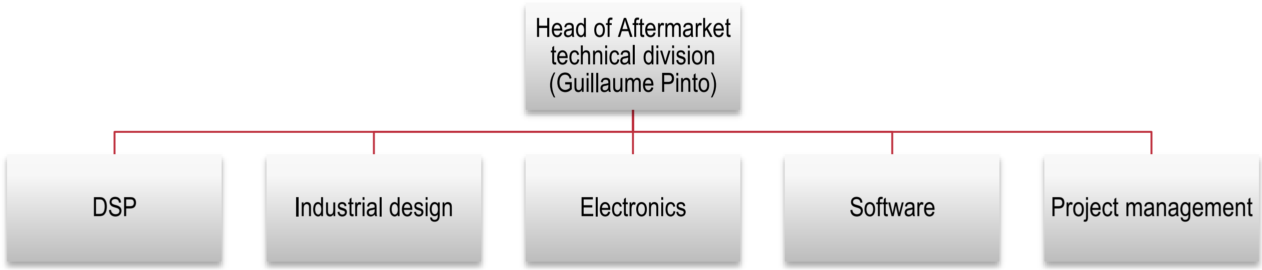
11.1.2. R&D organization

Research and Development is organized around projects which are assigned to each business sector. Research and Development is led by two technical directors with complementary skill sets, covering all of the Group's requirements (cf.17.1.3 "Executive managers").

■ R&D Division

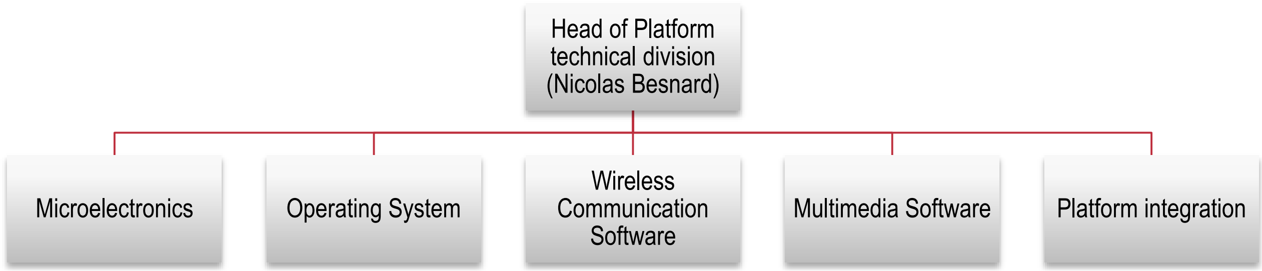
Aftermarket technical division

The Aftermarket technical division, in charge of the Group's retail products, coordinates the research and development activities linked to the design and industrialization of the Group's products (excluding modules sold directly to auto manufacturers in connection with the Key Account products). The department is made up of signal, acoustic and automatic processing research engineers, industrial designers, electronic design engineers, software design engineers and project managers responsible for the cross-business coordination of the various teams involved in each project.



Platform technical division

The Platform technical division coordinates the research and development activities for designing electronic chips (ASIC) and the core software used in all the Group's products. It is made up of microelectronic design and software design engineers.



Automotive

Product Management division

The key account Product Management division coordinates research and development activities for the design and industrialization of infotainment modules and solutions sold directly to automotive manufacturers. It is made up of project leaders in charge of coordinating the various areas of technical expertise internally, as well as interfacing with customers.

Digital Tuner Platform division

It coordinates research and development activities for designing the Octopus electronic chips integrated into the Group's key account infotainment solutions. It is made up of radio frequency processing, signal processing and channel decoding engineers.

Consumer Electronics

The Aftermarket technical division has dedicated teams for the design and industrialization of consumer electronics products.

Drones

Aftermarket technical division

The Aftermarket technical division has dedicated teams focused on the design and use of drones.

senseFly R&D division

Teams based in Lausanne, France, are focused exclusively on the products offered by this company, which was acquired in 2012. These teams work primarily in the commercial drone sector.

Other

Varioptic R&D division

Teams based in Lyon, France, are focused exclusively on the products offered by Varioptic, which was acquired in 2011 and has been merged into Parrot S.A. These teams work primarily in the optics sector.

11.2. Group technologies

The Group's technological core is built around the following main areas: digital signal processing, design of application-specific integrated circuits or ASIC chips, knowledge and expertise on Bluetooth wireless data transfer technology, mechanical conception and design, electronics and software development.

These various fields represent the key elements for the Group's Bluetooth handsfree telephony kits, as well as its new retail electronic products.

11.2.1. Signal processing

Since 1994, the Group has invested in developing new technologies relating to digital signal processing (DSP), which is essential to the audio quality of products. Since 1997, the Group has built up significant expertise on signal processing algorithms for applications in the automotive sector. Indeed, the processing of speech in a noisy environment is one of the Group's main areas of expertise.

Over and above its expertise in this area, the Company holds various patents and has filed patent requests on voice recognition technologies applied for on-board handsfree kits, noise reduction and acoustic echo cancellation (cf. 11.3 below "Intellectual property" in the present reference document).

The Group's signal processing expertise

Voice recognition: since 1994, the Group has invested in developing voice recognition solutions in-house. Certain parts of the voice recognition algorithms are integrated into another of the Group's key technologies, i.e. the Parrot ASIC platforms (cf. 11.2.2. below "ASIC platforms" in the present reference document). More specifically, the voice recognition applications are behind the voice control capabilities offered on the Group's products and the key factor for the hands free features.

Acoustic echo cancellation: acoustic echo cancellation is one of the two critical algorithmic points for establishing good quality communications with a handsfree solution. During a phone call, the remote caller's voice is transmitted to the kit's user via a speaker. Acoustic echo refers to the phenomenon of this voice signal being returned to the remote caller. This phenomenon is due to the fact that the microphone used by the handsfree kit's user records not only their speech, but also the signals from the speaker. To resolve this difficulty, the Group has been developing various solutions since 1997. In this way for instance, the VSSLMS algorithm for handsfree kits for vehicles makes it possible to reduce the echo effect up to 50 dB (decibels). When designing the Parrot MINIKIT in 2006, the issue took on a new scale. Indeed, since the speaker and the microphone were very close to one another, the acoustic echo is seen as infinitely stronger than the user's voice by the microphone. Thanks to two new major inventions (with two patent requests filed in summer 2006), the audio processing team has successfully resolved this issue and achieved a superior echo cancellation quality compared with rival products (benchmarking carried out by an independent laboratory).

Noise reduction: the distance between the microphone in a handsfree kit system and the user's mouth, and the inevitable noise inside any car when driving require ingenious solutions to establish good quality communications. Since 1997, the Group has developed noise reduction solutions in-house. Thanks to its technology, noise reduction can reach 16 dB for a simple microphone on "stationary" noises (engine, wind, ventilation). The Group is improving its noise reduction system by implementing algorithms based on the use of several microphones. In addition, a new noise reduction algorithm with a microphone that can eliminate almost 70% of instationary noise (sound environment) has been developed (patent request filed in February 2006).

Audio effects: devices used in day-to-day life are often very limited in terms of their ability to reproduce hi-fi quality sound (car radio, speakers), particularly stereo separation and low frequencies. Parrot has successfully stood out through the use of innovative technologies to resolve these effects, including a virtual bass creation algorithm, used on the multimedia products and auto products, as well as audio spatialization algorithms making it possible to expand the stereo effect or refocus the sound image within the vehicle (MKi range).

Video processing: the new video processing technologies designed and developed by the Company make up one of the fundamental bases of the technical core enabling the AR.DRONE to be developed. Thanks to extremely sophisticated methods, the AR.DRONE is able to use a camera pointing towards the ground to "observe" and compensate for any drift by moving the motor in the opposite direction.

Automatic: another cornerstone for the AR.DRONE, the advanced servo-control methods devised by the company enable the quadricopter to control its flight path thanks to the intelligent processing of data from various sensors: motion sensor, gyroscope, ultrasound, magnetometer, barometer.

11.2.2. Parrot ASIC platforms

The Group's products are based on Parrot ASIC or application-specific electronic chip platforms, with these technologies developed by the Group.

As early as 1994, the Group launched work to develop Parrot ASIC platforms, aware that a proprietary hardware solution would give it an even greater capacity for innovation, more independence and more effective control over its costs.

The latest chip developed by the Group (Parrot 6) offers a calculation capacity that is twice as high as the previous generation, has a digital display interface, accelerators for image and video processing, a new audio interface, two high-speed USB controllers.

The latest Parrot ASICs are enabling new features to be deployed for consumer electronics and products, while optimizing the cost price on these products. The new ASIC Parrot6i, incorporating analog components (feeds, analog-digital audio converter) to optimize the overall cost price for these products, is used in the Group's products during the course of 2011.

Parrot completed the development of its ASIC Parrot 7 during 2013 and production is scheduled to start up in 2014.

11.2.3. Expertise in the Bluetooth technology

The Bluetooth wireless data transmission technology can only be used if it is combined with sophisticated software making it possible to control it. Furthermore, to comply with the standards of the group supporting the Bluetooth technology, the Bluetooth SIG, such software must be able to manage a large number of standard features (the Bluetooth stack), enabling transparent communication between the various electronic devices equipped with this technology. In this way, the Group has developed its own Bluetooth software solution since 1999. Indeed, the Group was one of the first to develop Bluetooth hands free telephony systems, notably offering the Parrot CK3000 as early as 2001.

Having its own Bluetooth standard management software offers a key advantage over the Group's rivals and is essential for ensuring the interoperability of its products with all the Bluetooth mobile phones available on the market. This represents a key differentiating factor compared with rival products. Indeed, many competitors' products use software that is developed by third parties (generic solutions), rather than software developed specially for their products. The generic solutions used by these rivals are, on account of their very nature, less scalable than the in-house software used by Parrot, which can be adapted more quickly and easily in line with the specific requirements of Parrot's products and market developments. Furthermore, certain Bluetooth features are proprietary and which are not present in any generic solutions. For instance, the universal downloading of the phonebook by Bluetooth is a feature that only the Group has been able to develop.

The Company's status as a Bluetooth SIG associate member and its contribution to the working groups, its close collaboration with mobile phone manufacturers, the systematic checking of the compatibility of its products with new mobile phone models all represent factors which are enabling the Group to ensure the interoperability of its products with the latest developments on the market. In this way for instance, in 2009 Parrot developed a Bluetooth stack compatible with the high-speed Version 3.0 of the standard, making it possible to significantly increase speeds thanks to radio components using Standard 802.11.

11.2.4. Development of extended connectivity

The Group has sought to diversify the connectivity of its products in order to deploy new scenarios for their use, notably by adding Wi-Fi and USB technologies.

With the Parrot Specchio by Martin Szekely digital photo frame, the Wi-Fi technology makes it possible to offer an internet connection and support for email and RSS feed features, as well as the sharing of photos with a PC or even the integration of applications based on Androïd™ (Google mobile operating system).

The USB technology has been widely deployed in the Group's recent products; more specifically, connectivity with Apple iPod and iPhone devices is based on this, as offered in the MKi handsfree kit range and Zikmu Parrot by Starck speakers. A proprietary Wi-Fi audio streaming system has also been developed by the Group.

11.2.5. Mechanical conception and design

Designing quality products also requires a good level of expertise on the aesthetic and mechanical aspects of products. More specifically, many advances in this area have enabled Parrot to develop expertise in microphone assembly technologies. Today, these technologies enable 15dB decoupling between the microphone and speaker, which represents a crucial point in the design of products in which these elements are extremely close to one another.

11.2.6. Electronics

The Group's products contain a large number of integrated circuits, which is standard practice in this type of industry. The Group "hardware" team has been able to build up strong expertise in miniaturization and energy consumption management.

Electronic blueprints are drawn up and designs validated in-house, whereas more standard routing activities for electronic cards are entrusted to external partners.

11.2.7. Software development

Parrot develops most of the software used in its products in-house and has therefore built up strong expertise in many areas such as multi-language interface management, graphic displays and telematics. The software developed by Parrot includes: multimedia and signal processing libraries and algorithms, the Bluetooth stack, specific software for controlling proprietary components (ASIC) and application software for all the product ranges.

The software development teams are primarily made up of engineers employed by the Group, as well as a small number of people deployed by external firms, notably IT engineering service providers.

For its Parrot4 ASIC-based platform, the Group uses a proprietary operating system. Since 2006, Parrot has focused on freeware operating systems: eCos then Linux. In this way, Parrot developed its first product based on the Linux operating system (Parrot 6) in 2008. In 2009, the Google Androïd™ system was chosen to be added to Linux in connection with the development of the next Parrot software platform.

Lastly, its expertise in ergonomics issues enables the Group to offer products which are simple to use despite their growing range of features.

11.2.8. Image processing technologies

The image processing technologies result from the acquisition of Varioptic in 2011, the world leader for liquid lens technology for miniature cameras. Varioptic is contributing towards the miniaturization of optical systems (cameras, photo devices, optical readers, etc.) and offering innovative technologies to improve the quality of digital images. Varioptic’s liquid lenses make it possible to develop various optical features, from image focusing to optical stabilization to eliminate movement-related blur, without any mobile mechanical part or motor.

11.2.9. Multistandard digital radio and television

The digital radio and television technologies result from the acquisition of DiBcom in 2011, enabling Parrot to harness unique know-how in the multistandard digital radio and television field, while representing a major strategic asset for the Group's development on the in-vehicle infotainment market.

The high-performance integrated chipsets developed by DiBcom since 2000 make it possible to receive digital radio and television with a low-power and high-mobility approach, covering all transmission standards (DVB-T, DVB-SH, ISDB-T, ATSC, CMMB, DAB, etc.), thanks in particular to a programmable core for signal processing, developed by DiBcom.

DiBcom provides complete solutions for the rapid development of receivers, from the blueprints to software through to testing for the final device, with help from an effective technical support structure. These solutions use two ranges of components:

- Multistandard Octopus: a programmable processor for receiving digital radio and TV. As the standard is defined by software, this solution addresses the issues relating to the growing number of TV standards rolled out around the world.

- Single standard: a low-cost integrated chipset for receiving a single TV standard, intended for consumer electronics devices.

In particular, the DiBcom solutions have specific capabilities in terms of:

- Integration: DiBcom is able to integrate the tuner, demodulator, conditional access system, memory, power supply management and a USB, if necessary, into the same component. This integrated circuit enables manufacturers to rapidly develop and market their products with a high-performance, flexible and economically profitable solution.
- Programmability: Octopus is a multistandard integrated chipset based on a software-controlled vector signal processor (VSP). This component makes it possible to target several TV and radio standards with one single platform (e.g. DVB, DAB, DMB, CMMB, ISDB, ATSC, CTTB standards, etc.).
- Mobility: Mobile reception represents a real challenge because the signals received are weak and affected by speed, echoes and multiple interferences. DiBcom has developed innovative and patented algorithms and architectures to ensure excellent reception under such difficult conditions.
- Diversity: The MRC diversity technology, integrated from the outset into all DiBcom chips, is key to improving reception reliability, speed and sensitivity, particularly in mobile environments.

11.2.10. Ultralight commercial drones

After developing its own Retail drone for leisure use (Parrot AR.Drone), Parrot is positioning itself on the market for ultralight commercial drones, notably with its acquisition of senseFly. Fully in line with the French-speaking Swiss region's micro-technique tradition, senseFly has expertise across all the technologies making it possible to develop independent minidrones. With its engineers and their multidisciplinary training profiles, senseFly has expertise spanning not only mechanical optimization design aspects, but also aerodynamics, electronics and robotics. With backgrounds in laboratories at the forefront of research, they are developing the artificial intelligence aspects which represent the foundation for independent systems. In addition to conventional sensors (GPS, gyroscopes, accelerometer, pitot tube, altimeter), senseFly's products are equipped with an innovative proximity sensor and revolutionary algorithm enabling them to land on a very small area, requiring just a few meters of flat land).

History of commercial drone technologies

The technology for senseFly's minidrones appeared in 2001, when a team of robotics researchers from the Ecole Polytechnique Fédérale de Lausanne (EPFL) Laboratory of Intelligent Systems (http://lis.epfl.ch) began researching the control and navigation strategies of flying insects. This pioneering research team developed a highly integrated autopilot using smart sensors and control strategies similar to those of flies and bees. The first step was to enable a 10 gram flying device to fly independently with collision avoidance, using low-resolution passive visual sensors and miniature inertial sensors.

The "bio-inspired" intelligent control approach for low altitude flight with obstacle avoidance was then demonstrated on an external piloting platform, the predecessor of the Swinglet Cam (first product released by senseFly).

Leading-edge autopilot

The proprietary autopilot technology which is at the heart of all the products represents the result of years of research and development.

By selecting the best miniature sensors, carefully characterizing them, designing the electronic circuits to support them and programming the microcontroller, senseFly has been able to develop the smallest, most intelligent pilot in its category. The R&D team is made up of first-rate robotics professionals, with expertise in multiple disciplines. The engineers are highly qualified in autonomous robotics or artificial intelligence. They develop and constantly improve intelligent, adapting algorithms, which are matched to the flight platforms in order to harness their full capabilities. While it is always possible to take manual control of these mini-drones, this is rarely necessary: these are truly autonomous systems, capable of controlling their flight throughout their mission, even if communications are lost.

11.3. Intellectual and industrial property

Parrot protects some of its inventions using patents. Furthermore, the software developed in-house may, provided that they are original, benefit from copyright protection.

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

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

11.3.1. Brands and marks

At March 31, 2014, the Company held word and figurative marks Parrot and its logo and / or has filed requests for registration in Classes 09, 38 and 42 for the PARROT in France, European Union countries, Swiss, Island, the United States, Canada and more widely for International in most countries in which Parrot distributes its products: in Central and South America (Mexico, Colombia, Guatemala), in Asia (China, Japan, Hong Kong, Taiwan, Singapore), in Israel, in Turkey, Egypt, Kuwait, UAE, Australia, New Zealand, South Africa and India.

Parrot has also registered the names of some of its products: RHYTHM N'BLUE in European Union countries and the United States, as well as Asia (China, Japan, Singapore); EZDRIVE in France, DRIVE BLUE in most European countries as well as the United States, Singapore, Japan and Turkey; and the following brands in European Union countries in Classes 09, 38 and 42: PARROT 3200 LS COLOR, PARROT 3400 LS GPS , PARROT BOOMBOX, PARROT CK 3000 EVOLUTION, PARROT CK 3100 LCD, PARROT CK 3300 GPS, PARROT CK 3300 NAVIGATION PACK, PARROT CK 3500 PRO, PARROT CK 3500 PROFLEET SYSTEM, PARROT CONFERENCE, PARROT EASY DRIVE, PARROT MINIKIT, PARROT PHOTO VIEWER, PARROT SOUND SYSTEM, PARROT PMK5800.

The Company holds the figurative mark Parrot ASTEROID in Classes 09 and/or 38 and 42 in the European Union, Switzerland, the United States, China, Japan, Australia, the Russian Federation, Singapore, Mexico, South Africa; the registration request are still being process in the Unites States Canada and India, Chile, Egypt and more widely in the countries where the product will be marketed through a request for international registration.

The Company has registered the **Asteroid Market logo** (in Classes 09 and/or 42) to accompany the launch of its online application store, in the European Union, in the United States and in many countries where the Asteroid Market is available with an international trademark filing.

The Company holds the marks corresponding to the names of the products ZIKMU Parrot for the speakers and ZIK for the audio headphones designed by Philippe Starck, in the European Union and the United States in Class 09.

The Company also holds the logo for its Parrot certified installers program: Parrot Certified Installer in the European Union countries in Classes 09, 37, 38 and 42 and in the United States in Class 37, as well as Parrot Certified Premium Installer in the European Union and in the same classes.

In 2009, the Parrot logo, word marks and figurative marks were also Class 28 registered in the European Union countries, as well as the United States, China and Japan, in order to accompany the development of the Group's business in the gaming sector.

The Company holds the mark PARROT AR.DRONE in the European Union (Class 28), the US, China (Classes 09 and 28) and many countries in which the AR.Drone is sold. The Company also holds the word mark AR Drone in the European Union and China in the same classes. In 2011, the Company registered the logo associated with its AR.Drone piloting tutorials site, the AR.Drone Academy in the European Union, the United States and Japan. Registration request is underway in China.

In addition, the Company holds the marks associated with the names of the applications making it possible to pilot or play with the AR.Drone, such as AR.FleeFlight, AR.Pursuit and AR.FlyingAce in Classes 09 and/or 28 in the European Union countries, the United States, China, Japan, Hong Kong, Australia, South Africa and more generally the Company has registered these marks in the countries where the product is distributed under international registration procedures, some of which are still under review. In addition, the Company holds the AR.Game mark in the European Union and the AR.Rescue mark which is registered as a logo in the European Union.

In 2013, the Company registered the Flower Power mark and logo (in Class 09), associated with its new intelligent sensor for plants, in the European Union, the United States and China.

Lastly, the Company registered the Parrot Mini Drone and Parrot Jumping Sumo marks at the beginning of 2014, planning ahead for the launch of its range of connected toys.

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

Parrot is also a member of the Wi-Fi Alliance and, in this respect, benefits from a license to use the Wi-Fi mark, in addition to many other licenses for using marks belonging to its technical and/or commercial partners.

11.3.2. Patents

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

Patent history

In 1997, the Company filed a patent for a voice recognition handsfree telephony kit with phonebook synchronization, (filing FR 97 04168 for "voice-control mechanism for radio telephony, particularly for use in an automobile vehicle"). The Company obtained a corresponding European patents, as well as a patent in the United States.

In 1999, the Company filed a patent to protect a new echo cancelation technology (filing FR 99 04329 for "Technique for eliminating the acoustic echo of an audio signal, notably in the signal captured by a microphone").

In 2002, the Company filed a French patent to protect a technology for interfacing the handsfree telephony kit with the car's audio system (filing FR 02 05917 for "Handsfree telephone adapter for cars, notably for original assembly fitting, including a universal audio output circuit allowing multiple connection configurations"). The Company has obtained a corresponding European patent.

In 2004, the Company filed a patent request concerning a voice interface for searching and selecting a section in the handsfree telephony kit menu (filing FR 04 00299 for "Voice interface for searching and selecting a section, notably for a mobile phone in a vehicle"). The Company has obtained a corresponding European patent. Requests are underway in the United States and China.

In 2004, 2005 and 2006, the Company filed various patent requests, notably for "a mobile telephone handsfree system, adaptable in a removable way on an automobile vehicle" (filing FR 04.12289) and a "car radio with a wireless link to a mobile telephone allowing handsfree use" (filing FR 05.03663).

Between 2007 and 2012, the Company filed 33 patent requests covering its multimedia and handsfree kit products:

- An active acoustic speaker with distributed mode loudspeaker (filing FR07 02660);
- An automatic control lighting mechanism and installation covering various such mechanisms (filing FR07 0331);
- A synchronized signal processing and distribution system, particularly audio signals in a network of wireless speakers (filing FR07 6236);
- An audio device for a vehicle with docking for portable electronic devices (filing FR07 06347);
- An automatic source concentrator for multimedia system (filing FR 07 06810);
- A handsfree telephone unit for a motorcycle, with handlebar-mounted remote control (filing FR07 06809);
- A technique and system for recreating low frequencies in an audio signal (filing FR 08 02388);
- A system for automatically controlling the gain applied to an audio signal depending on the ambient noise (filing FR 08 03087);
- A unit for protecting and framing an object such as a digital display unit (filing FR 08 03086);
- A digital image display unit (filing FR 08 04865);
- An audio device for a vehicle with docking for portable electronic devices (filing FR 08 06198);
- A technique for selecting a microphone from among two or more microphones, for a speech processing system such as a handsfree telephone mechanism operating in a noisy environment (filing FR 09 53176);
- A technique for detecting a situation with double speech for a handsfree telephone system (filing FR 09 53802);
- A technique for filtering non-stationary lateral noise for a multi-microphone audio mechanism, particularly a handsfree telephone mechanism for an automobile vehicle (filing FR 09 55133);
- A technique for optimized filtering of non-stationary noises captured by a multi-microphone audio mechanism, particularly a handsfree telephone mechanism for an automobile vehicle (filing FR 09 56506);
- An integrable audio/video device for an automobile vehicle, particularly a car radio, with optimized ergonomics and extraction (filing FR 09 58577);
- A wall attachment accessory for a flat unit such as a digital image display unit (patent number FR 09 56633);
- A "handsfree" interface device for mobile telephones (filing FR 10 54511);
- A system for attaching an electronic unit remote control in a vehicle (filing FR 11 50054);
- A wireless remote control with a tactile interface for in-vehicle handsfree telephony and multimedia equipment (filing FR 11 51058);
- A handsfree telephony and multimedia equipment architecture for vehicles (filing FR 11 50055);
- An audio device comprising speech signal noise reduction features with fractional delay filtering, particularly for a “handsfree” telephony system (filing FR 11 54825);

- A noise reduction technique for multi-microphone audio equipment, particularly for a “handsfree” telephony system (filing FR 11 55377);
- A combined wire-based / wireless remote control unit for multimedia and/or “handsfree” telephony equipment in a vehicle (filing FR 11 61310);
- A combined microphone / headset audio unit including near speech signal noise reduction features, particularly for a “handsfree” telephony system (filing FR 11 53572);
- A technique for strengthening low-pitch frequencies in a digital audio signal (filing FR 11 58164);
- A non-adaptive active noise control audio headset for listening to an audio music source and/or “handsfree” telephony features (filing FR 11 60642);
- Most of these patent requests are covered by international extensions, in Europe (patents covering certain European countries), the US, China and even Japan;
- An audio/video electronic device, particularly multimedia car radio, with removable front (filing FR 12 50116);
- An acoustic signal noise reduction technique for a multi-microphone audio device operating in a noisy environment (FR 12 56049);
- An independent “handsfree” telephone device, designed as a single-block removal object that clips onto an automotive vehicle’s sun visor (filing FR 12 56426);
- An audio/video electrical device, such as multimedia car radio, designed to be installed in an automotive vehicle (FR12 58758);
- An audio signal processing technique with modeling of the electrodynamic speaker’s global response (FR 12 58116);
- A single-block active acoustic speaker designed to be configured for use separately or as a pair, with stereo image strengthening (FR 12 58755).

In 2013, the Company filed four patent requests covering its handsfree kit and multimedia products:

- Audio signal noise reduction technique based on a dynamically adjustable hardness variable spectral gain algorithm (filing FR 13 51760);
- Visual voice recognition technique with selection of the most relevant groups of points of interest (filing FR 13 54343);
- Visual voice recognition technique with monitoring of local distortion for a series of points of interest in the speaker's mouth (filing FR 13 54335);
- Angular calibration technique for the position of an embedded video camera in an automotive vehicle (filing FR 13 62390).

In 2013, the Company filed two patent applications for its connected toy, the Parrot Jumping Sumo:

- Variable-surface rolling toy (filing FR 13 60149);
- Multi-position jumping and rolling toy (filing FR 13 60153).

Most of these patent requests are covered by international extensions, in Europe (patents covering certain European countries), the United States and Japan, as well as China.

Patents covering the AR.Drone

Between 2007 and 2012, the Company filed 23 patent requests concerning its AR.Drone quadricopter:

- A mechanism for recognizing objects in a shooting game for remote control toys (filing FR 07 00998);
- A fictitious event simulation system for remote control toys (filing FR 07 00999);
- A technique for steering a drone with rotary wings (filing FR 08 00768);
- A mechanism for steering a drone (filing FR 08 06665);
- A system for drones equipped with recognition signals (filing FR 08 06800);
- An ultrasound telemetry technique for a drone, with discrimination for echo interference from another drone (filing FR 09 54552);
- A navigation electronic card support for a drone with rotary blades (filing FR 09 58011);
- A motor base for a drone with rotary blades (filing FR 09 58013);
- A marking signal for guiding and navigating a drone on sight (filing FR 09 58300);
- A remote control device and technique for a drone, particularly a drone with rotary blades (filing FR 10 51751);
- A synchronized control technique for the electrical motors of a remote-controlled drone with rotary blades, such as a quadricopter (filing FR 10 54316);

- A technique for assessing the horizontal speed of a drone, particularly a drone designed for autopiloted stationary flight (filing FR 10 54945);
- A remote control device and technique for a drone, particularly a drone with rotary blades (filing FR 10 54449);
- A mechanism for steering a drone with multiple rotary blades (filing FR 10 57369);
- A technique for transmitting orders and a video stream between a drone and a remote control unit via a wireless network-type connection (filing FR 10 59146);
- A technique for steering following a curvilinear change of direction by a drone with rotary blades and multiple rotors (filing FR 11 51904);
- A technique for recognizing a target strip such as a finishing line in an image captured by a drone's camera (filing FR 11 51905);
- A technique for detecting a prompt applied by a user for a drone in order to produce a route marker (filing FR 11 52612); and
- A technique for dynamically controlling a drone's bearing for the automatic execution of moves such as spirals or dives (filing FR 11 55779);
- An intuitive steering technique for a drone using a remote control device (filing FR 12 50069);
- A technique for steering a drone with rotary wings to take shots with an on-board camera with a minimization of disruptive movements (filing FR 12 50112);
- A technique for steering a drone with multiple rotary blade wings, with side wind estimation and compensation (FR 12 52895); and
- An altitude estimator for a drone with multiple rotary blade wings (FR12 52888).

In 2013, the Company filed two patent requests covering its AR.Drone quadricopter:

- Quick-assembly, direct-drive drone with propeller rotary wings (filing FR 13 61061);
- Rotary-wing drone with autonomous positioning capabilities in relation to an absolute reference point linked to the ground (filing FR 13 50054).

Most of these patent requests are covered by international extensions, in Europe (patents covering certain European countries), the United States and Japan, as well as China.

The Group's portfolio of patents has been further strengthened thanks to the portfolio of 24 active patents in terms of optics (lens, liquid lens, ophthalmology, module camera, barcode, etc.) with the Varioptic business unit and the portfolio of 27 active patents, particularly concerning chip implementation architectures, reception antennas, etc., for the new Digital Tuner business unit.

11.3.3. Domain names

The Company applies a filing and domain name monitoring policy in order to prevent third parties from unduly benefiting from investments made to strengthen its reputation and brand awareness.

More specifically, Parrot owns the domain names www.parrot.com and www.parrot.biz, as well as various domain names in the countries in which it has subsidiaries (www.parrot.fr, www.parrot.de, www.parrot.uk, www.parrot.it and www.parrot.sp) on which it communicates, and a lot of domain names in the countries in which it sells its products.

Parrot also registers the domain names associated with the Group's activities, such as parrotoem.com for the Key Account Automotive business or the domain names associated with the products it sells, including parrotcarkits.com, parrotzikmu.com, parrotspecchio.com and recently parrotasteroid.com, and many other adaptations.

Parrot has also registered several domain names in connection with the launch and commercial deployment of its AR.Drone quadricopter: www.ardrone.com, www.ardrone.fr, www.ardrone.es, www.parrotdrone.com, www.parrotardrone.com, www.ardrone.org, as well as the domain names associated with the applications making it possible to steer or develop the quadricopter in connection with games: AR.Freeflight, ARFlying.Race.

11.3.4. Software

With a strategy to adopt an open standard, the Group has focused on "freeware" for its operating system; it uses the eCos operating system for its platform based on the Parrot5 ASIC and has chosen the Linux system for its platform based on the Parrot6 ASIC. For its new generation of products offering extended connectivity services, the Company has chosen to use the ANDROID™ platform.

11.3.5. Designs and models

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

The intellectual property rights concerning models from the "Parrot By" range remain the property of the designers, with the exception of the Parrot SPECCHIO by SZEKELY, for which the model's rights have been transferred to the Company.

In 2010, the Company filed a European Union design registration for its quadricopter, the Parrot AR.DRONE. The design registration has been extended to cover the United States, China and Japan. The Company also registered the design for its Parrot Minikit Smart communications system, making it possible to dock a smartphone.

In 2013, the Company registered the model for its Flower Power intelligent sensor, as well as the models for its connected toys.

XII. Information on trends

12.1. Main trends with an impact on production, sales and inventories, sales prices and costs from the end of the last financial year through to the reference document registration date

On the date when this reference document was published, there were no new trends to report that had affected production, sales, inventories, costs or sales prices since year-end 2013.

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

The outlook for growth reported for 2014 is to a large extent dependent on the commercial launches of new retail products expected for the second half of 2014 (cf. 6.1.2 “New products and developments”). Looking beyond the expected success of the various products, encouraged in particular by the very positive response among the media and technology fans at the 2014 CES (Consumer Electronics Show, Las Vegas, USA), Parrot needs to finalize the design of these products and be able to implement their distribution through its usual networks before the deadline of the end-of-year sales period.

On the date when this reference document was published, no known trends, uncertainties or demands or any commitments or events that might reasonably have a material impact on the outlook for the current financial year, and particularly new product launches, had been identified.

Readers are invited to refer to Section IV “Risk factors” and more specifically the following sections:

- 4.1.3 “The Group could experience difficulties managing the risks linked to the international deployment of its activities and its growth on new international markets”
- 4.1.4 “The Group could face difficulties in deploying its Group products on Electronics mass retail markets”
- 4.1.5 “Growth in the Automotive business is exposing the Group to certain constraints”
- 4.1.12 “The Group's earnings are subject to fluctuations which make them difficult to forecast”
- 4.1.13 “The elements affecting the fourth quarter could have material consequences on the Group's results”
- 4.1.14 “The Group could experience difficulties with integrating acquisitions”
- 4.1.15 “Goodwill impairment which could have a material impact on the Group’s earnings could be recognized”
- 4.2.1 “The Group is exposed to deteriorations in the economic environment”
- 4.2.2 “The Group is dependent on the market environment for automotive and electronic products”
- 4.2.3 “The Group may not be in a position to cope with growth in the markets”
- 4.2.4 “The Group may not be in a position to cope with competition, especially if this were to increase on its markets”
- 4.2.5 “The Group's target markets are subject to rapid technological change and frequent launches of new products”
- 4.2.8 “The Group’s activities are dependent on regulations governing cellphone use while driving”

and Section XIII “Financial outlook”.

XIII. Financial outlook

13.1. Outlook for 2014

For 2014, Parrot is targeting a return to growth thanks to a high level of investment during the first half of 2014. As in 2013, resources will be allocated primarily to R&D with a view to:

- Completing the consumer electronics products presented at the 2014 CES event;
- Finalizing the development of infotainment contracts, while supporting prospecting capabilities;
- Focusing on the development of the drone activities.

Parrot is continuing to move forward with its key investments and allocating the resources required for its growth strategy. The main trends expected are as follows:

Consumer Electronics

The first half of the year will be focused on finalizing the two new connected toys, the Parrot Jumping Sumo and Parrot Mini Drone, which received a very positive response when they were presented at the 2014 CES. With this in mind, additional external providers and engineers will be brought on board to support the current teams. First-half sales will be generated exclusively by the Parrot ZIK, the Plug & Play products and the Parrot FLOWER POWER. With the products launched during the second half of the year, Parrot is forecasting strong growth for its Consumer Electronics business on an annual basis.

Automotive

The Group is forecasting a contraction in its full-year revenues: the downturn in its historical activities, particularly in the retail sector, will be only partially offset by the new infotainment contracts set up in 2013, the two additional contracts brought into production midway through 2014 and the ramping up of Parrot ASTEROID sales. At this stage, the main challenges concern finalizing developments for the two infotainment contracts to be delivered in 2014 on the one hand, and on the other, allocating resources for additional prospecting. The range of retail solutions (Parrot ASTEROID) and key account solutions is still one of the most advanced on its market and recent announcements in the automotive industry have confirmed the Group's technological choices. Parrot is forecasting a return to strong growth for its automotive business in 2015. In addition, the Group is banking on its ability to sign up increasingly large contracts, with its sales teams ready to meet this challenge in 2014.

Drones

For 2014, the Group is forecasting growth in its drone business. Retail drone sales (Parrot AR.Drone 2) are expected to contract slightly, pending the release of the next version of the fun, flying connected camera, which has already sold nearly 700,000 units since its launch in August 2010. On the other hand, sales of commercial and civil drones are expected to see strong growth. Parrot, which has just announced its acquisition of interests in three firms (cf. press release at http://www.parrotcorp.com/fr/communiquesdepresse), has put together a portfolio of carefully selected start-ups and is encouraging technological synergies and cross-selling for its subsidiaries and partners.

Following a year when growth will be starting up again in 2014 thanks to a sustained investment policy, Parrot is forecasting an acceleration in growth for 2015, combined with a significant improvement in profitability.

13.2. Additional information

Readers are also invited to refer to the presentation of earnings for 2013 and the outlook for 2014, available on the Company’s internet site at http://www.parrotcorp.com/fr/publicationsfinancieres.

XIV. Administrative, management, supervisory and executive bodies

The Company refers to the recommendations from the MiddleNext governance code. The MiddleNext corporate governance code for small and mid caps is available on the MiddleNext site (www.middlenext.com). Further details and information concerning the application of the recommendations from the MiddleNext governance code are provided in 16.4.1 “Details and application of recommendations from the MiddleNext Governance Code”.

14.1. Board of Directors

The Company's administration is entrusted to a Board of Directors with a minimum of three and a maximum of 12 members, subject to the exceptions provided for under French law in the event of a merger. Directors are appointed for a six-year term of office. The Board currently comprised 8 directors.

The Companies represented in relation to third parties by Mr. Henri Seydoux, Chief Executive Officer, who also serves as Chairman of the Company's Board of Directors.

Make-up of the Board of Directors

- Mr. Henri Seydoux, Chairman and Chief Executive Officer
- Mr. Jean-Marie Painvin, Director
- Mr. Edward Planchon, Director
- Mr. Olivier Legrain, Independent Director
- Mr. Geoffroy Roux de Bézieux, Independent Director
- Mr. Jean-Yves Helmer, Independent Director
- Mr. Stéphane Marie, Independent Director
- Mrs. Natalie Rastoin, Independent Director

Mr. Legrain, Mr. Roux de Bézieux, Mr. Marie, Mr. Helmer and Mrs. Rastoin are considered to be independent directors in view of the criteria defined by the MiddleNext governance code.

Board’s operations

The Board’s bylaws require the Board of Directors to meet at least four times a year, and it may hold additional meetings if required by the economic situation or any specific event. In 2013, the Board met four times to review the quarterly, half-year and annual financial statements. It also held a further two sessions: one session following the general meeting and another session to review the adoption of the budget for 2014. Meetings are held at the registered office or as conference calls.

Each director is invited to attend all Board of Directors meetings at least five days before the session in question. The agenda for the Board meeting and the draft minutes from the previous meeting are appended to each invitation to attend. Prior to each meeting, a file containing the documents relating to the various points included on the agenda is sent to each director.

Participation in the Board

The attendance rate within the Board of Directors remained constant over 2013, with seven or eight directors out of eight present. In addition to the directors, the following people attend Board meetings:

- The co-statutory auditors are invited to attend all Board of Directors meetings convened to review the annual or half-year financial statements;
- Two members representing the Works Council are also invited to attend all of the Board of Directors' meetings;
- Mr. Gilles Labossière, Chief Administrative and Financial Officer, is invited to and attends the Board of Directors' sessions;

- Mr. Eric Riyahi, Executive VP Global Business Operation, has also been invited to and attended the Board of Directors' meetings since November 2013;
- Mrs. Karin Wittkötter, Chief Legal Officer, in charge of legal secretary aspects, serves as the Board's secretary;
- Mrs. Marie Calleux (Ein), in charge of the Group's financial communications, is also invited to and attends the sessions.

Application of the principle for the balanced representation of men and women within the Board of Directors

In accordance with the French law of January 27, 2011 concerning balanced representation in boards of directors, the proportion of the Company's directors of each gender may be no less than 20%, following the first ordinary general meeting convened to approve the accounts as from January 1, 2014. On the date when this reference document was published, Mrs Natalie Rastoin was a director of the Company following her appointment at the ordinary general meeting on May 31, 2011.

On November 14, 2013, the Board of Directors observed and acknowledged that, considering its composition and the presence of one woman in the Company's Board of Directors, an additional woman will need to be appointed as a director at the general meeting convened in 2014 to approve the accounts for the year ended December 31, 2013 in order to move above this 20% limit, in accordance with the French law of January 27, 2011.

The Appointments and Compensation Committee has been tasked with identifying one or more candidates and submitting a proposal to the Board. In this way, the Company proposes to appoint a new female director (cf. 14.1.2.1.1 au-dessous“Proposal at the general meeting on June 11, 2014 to appoint a new female director: Marie Ekeland”) at the next general meeting (cf. XXVII “Resolutions for the general meeting on June 11, 2014”, “5th resolution”).

14.1.1. Offices held by directors and executives over the past five years

Director's name, age and professional address	Office and term	Other offices	Company name
Henri Seydoux 53 years old 174-178 quai de Jemmapes 75010 Paris, France	Chairman of the Board of Directors and Chief Executive Officer Term of office: 6 years from 6/18/2009 Date first appointed: 1/31/1994	Director Director Director Director Director Director Chairman Chairman and Director Chairman and Director Chairman and Director Chairman and Director Manager Director Chairman Manager Director Director Manager	Trimaran Schlumberger NV Christian Louboutin Seychemanlou Mobinear Sigfox Parrot, Inc Parrot UK Ltd Parrot Asia Pacific Ltd Parrot Iberia, S.L. Parrot Italia S.r.l. Parrot GmbH Da Fact (until Dec. 21, 2012) Parrot ANZ Ltd Chez Parrot S.A.R.L. senseFly Ltd Px4D Horizon
Jean-Marie Painvin 62 years old 1633 Broadway, Suite 1804 New York NY 10019	Director Term of office: 6 years from 6/18/2009 Date first appointed: 1/31/1994	Founder and CEO Director Director	JMC Investment Boulogne Golf du Médoc
Edward K. Planchon 80 years old 38 rue de Berri 75008 Paris, France	Director Term of office: 6 years from 6/09/2010 Date first appointed: 5/04/2004	Director Director Shareholder committee moderator Director, Vice Chairman and treasury secretary Director Director	Electricfil S.A. Electricfil Corp (USA) Vignal Systems SAS Parrot, Inc. Parrot UK Ltd Parrot Iberia, S.L.

		Chairman & CEO Director Director Member of Supervisory Board	EKP Consult LLC Holding Enricau SAS Alpen' Tech SAS SolSaCon AG
Jean-Yves Helmer 68 years old 121 boulevard Haussmann 75008 Paris, France	Director Term of office: 6 years from 6/04/2007 Date first appointed: 6/06/2012	-	-
Olivier Legrain 61 years old 19, place de la Résistance 92200 Issy-les-Moulineaux, France	Director Term of office: 6 years from 6/06/2012 Date first appointed: 9/14/2006	Chairman and/or Director and/or Manager and/or CEO Chairman Chairman Member of the Board Director Director Member of Supervisory Board Member of Board of Directors	Materis and its subsidiaries in France and Luxembourg Solaire SAS Trèfle SAS, Trèfle II Financière K2 (Kiloutou) SAS Mécénat Balas, CPI ARP S.A. LBO France Qualium
Geoffroy Roux de Bézieux 51 years old OMEA TELECOM 12 rue Belgrand 92300 Levallois-Perret, France	Director Term of office: 6 years from 6/06/2012 Date first appointed: 9/14/2006	Chairman Director Chairman Vice-Chairman Office member, Deputy Vice President, Treasurer	OMEA TELECOM Ltd PSA FINANCOM Fédération Française des Télécoms (FFT) MEDEF
Stéphane Marie 50 years old COREVISE 3-5 rue Scheffer 75016 Paris, France	Director Term of office: 6 years from 6/18/2009 Date first appointed: 6/18/2009	Chairman Chief Executive Officer Co-manager Manager Chairman	Corevise FINDINTER SCI Lakvest Lakvest Expertise & Audit Adiunctae RSM
Natalie Rastoin **54 years old** OGILVY 32-34 rue Marbeuf 75008 Paris, France	Director Term of office: 6 years from 5/31/2011 Date first appointed: 5/31/2011	Chairman Chief Executive Officer	Ogilvy PR Ogilvy S.A.

14.1.2. Director biographies

– Henri Seydoux

Henri Seydoux founded the Company in 1994 and has served as Chairman and Chief Executive Officer since its creation. Self-educated, he began his career in 1978 as a trainee with "Journal Actuel", where he was later employed as a journalist from 1979 to 1980. In 1981, he joined the sales team at the "Matin de Paris" newspaper. Then, in 1982, he joined SSCI as an operating system software developer, before working for Microarchi from 1983 to 1984 in the same role. In 1985, he set up BBS, a company intended to market the micro archi operating system. In 1986, he created BSCA, a synthetic 3D imaging company, and became its Chairman and Chief Executive Officer from 1986 to 1990. In 1991, with three other partners, he founded and became a director in the luxury goods company Christian Louboutin.

– Jean-Marie Painvin

Jean-Marie Painvin was appointed as a Company director on June 24, 2003. After graduating from Rice University in Texas with a Masters degree in mechanical engineering, he began his career in 1975 as a regional director for Trailor S.A., where he went on to become sales and marketing director between 1981 and 1988. In 1988, he became Chairman of Deutsch Relays, Inc. in the US, and was then appointed in 1994 to head up Compagnie Deutsch, where he has served as Chairman and CEO since 1999. He is currently Chairman and Chief Executive Officer of the Deutsch group.

– Edward Planchon

Edward Planchon was appointed as a Company director on May 4, 2004. He has a degree in economic sciences and international affairs from the University of Michigan, where he also obtained an MBA. He has lived in numerous countries and speaks six languages. He began his career in 1957 at Chrysler, where, for 22 years, he was responsible in turn for financial management, marketing and sales worldwide. He was in charge of European distribution subsidiaries, a negotiator on the Chrysler Mitsubishi agreements, and the CEO responsible for sales and distribution network management for the Chrysler, Dodge, Simca, Rootes and Mitsubishi brands on international markets. He joined the executive management team at Tenneco-Poclain in 1980 and then Valeo in 1987, where he spent 16 years heading up Valeo's international business and commercial development worldwide. In 1997, he was appointed chairman of Valeo Inc, the Group's holding structure in North America, before being promoted to CEO for the Valeo group in 2000. He retired in December 2003. Today, Edward Planchon is also a director with the Electricfil Group, Alpen'Tech and Vignal Group.

– Olivier Legrain

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

– Geoffroy Roux de Bézieux

Geoffroy Roux de Bézieux was appointed as an independent director for the Company on September 14, 2006. After graduating from ESSEC and completing a postgraduate DESS at Dauphine in 1984, he spent two years in the special forces (Marine Commandos), with operations in Africa and Lebanon. He then joined the L'Oréal group, where he spent 10 years in various positions in both France and abroad, notably serving as head of marketing in the UK and then CEO for Poland. In 1996, he set up The Phone House the first fully dedicated chain of mobile telephony stores. One year later, he brought the English group The Carphone Warehouse on board as a shareholder. In 2000, with a network of 100 stores, he sold The Phone House off to this London-listed group and became its CEO for four years in order to develop Phone house in Europe. Today, The Phone House has 2,000 employees in France and 15,000 across Europe. In 2004 and still with Carphone Warehouse as a shareholder alongside him, he set up the company Omer Telecom, launching Breizh Mobile, an alternative mobile operator for the west of France. In 2006, he convinced the Virgin Group to invest in this project and launched Virgin Mobile. In 2008, he bought out Télé 2 mobile. Today, Omea Telecom (Virgin Mobile) has become Europe’s leading full mobile virtual network operator (full MVNO), using two operators simultaneously.

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

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

– Jean-Yves Helmer

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

– Stéphane Marie

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

– Natalie Rastoin

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

14.1.2.1.1. Proposal at the general meeting on June 11, 2014 to appoint a new female director: Marie Ekeland

At the general meeting on June 11, 2014, a proposal will be submitted to Parrot's shareholders to appoint a new female director (cf. XXVII "Resolutions for the general meeting on June 11, 2014", "5th resolution").

Marie Ekeland is a partner in Elaia Partners, a venture capital company focused on the digital economy, and notably sits on the boards of directors of Criteo, Scoop.it, Seven Academy, Teads/eBuzzing, Wyplay and Ykone.

She began her career in 1997 as an IT engineer with the investment bank JP Morgan, initially in New York, where she was involved in developing an application for the Fixed Income trading rooms, then in Paris, where she managed the team in charge of its global support.

Marie Ekeland joined CPR Private Equity's innovation investment team in 2000, before moving to the Venture Capital team at Crédit Agricole Private Equity and then joining Elaia Partners in 2005.

Marie Ekeland is the co-founder and co-chairman of France Digitale (francedigitale.org), an association that brings together digital innovation investors and entrepreneurs for the development of this ecosystem. She is also a member of the national digital council (Conseil National du Numérique) and the strategy council of Bpifrance Le Lab.

Marie Ekeland has a degree in mathematics and IT engineering from Université Paris IX Dauphine, and a masters in economic policy and analysis from Ecole d'Economie de Paris.

14.1.3. Additional information on the members of the Board of Directors

To the best of the Company's knowledge:

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

14.2. Conflicts of interest

To the best of the Company's knowledge, there are no conflicts of interest between the duties of the members of the Board of Directors in relation to the Company on the one hand, and on the other, their private interests or other duties.

Offices held by directors and executives over the past five years

Director name	Other officers held in any company over the past five years and not held on the filing date for the present reference document
Henri Seydoux, Chairman of the Board of Directors and Chief Executive Officer	NA
Jean-Marie Painvin	Director of Fin-Air Chairman of Golf du Médoc

	Director of Golf des Baux de Provence
Edward Planchon	Vice-Chairman of the auto equipment union FIEV Director of CLEPA Chairman of the Supervisory Board of Vignal Systems
Olivier Legrain	Director of Terreal Director of Rhodia Director of Parex Lanko S.A. Director of Ecor Director of Kerneos S.A.
Geoffroy Roux de Bézieux	Chief Operating Officer of Carphone Warehouse Director of Budget Telecom Director of Micromania Director of Sporever Director of Nocibé Director of IMS
Jean-Yves Helmer	NA
Stéphane Marie	NA
Natalie Rastoin	NA

Definition of the independent director concept

The bylaws drawn up by Parrot for the Board of Directors and specialized committees specify the role and the operating conditions for the Board of Directors and specialized committees in accordance with French law and the corporate bylaws of Parrot S.A., in addition to the corporate governance rules applicable for companies whose securities are traded on a regulated market.

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

- May not be an employee, be an executive or have any close ties with an executive from an entity that is a member of the Group or a company controlling the Company as per Article L. 233-3 of the French commercial code;
- May not be an executive or have any close ties with an executive from a company in which an entity that is a member of the Group directly or indirectly holds a corporate office;
- May not be a customer, corporate banker supplier or service provider of the Group or a member of a company that is one of the Group's customers, suppliers or service providers;
- May not serve as a director for the Company for more than twelve (12) years;
- May not have been an auditor of the Company during the five (5) years prior to their appointment;
- May not:
    - Represent a shareholder holding,
    - Be a member of an entity holding, directly or indirectly,
    - Directly or indirectly hold more than a five percent (5%) interest in the Company's capital or voting rights.

The concepts of "executive" and person with "closes tie with an executive" are those defined by Article L. 621-18-2 of the French monetary and financial code.

Directors are considered to be independent if they meet the above criteria on the date when their status as an independent director is determined and during the previous five years.

Moreover, the Board of Directors is required to check, at least on an annual basis, that the directors or candidates for positions as directors comply with the independence criteria set out above. The Board reports on the findings from this review to the shareholders:

- Each year at the general meeting convened to approve the annual financial statements, and
- During general meetings convened to rule on the appointment of new directors or the ratification of directors co-opted by the Board.

XV. Compensation and benefits

15.1. Compensation and benefits in kind for the Company's executive officers

15.1.1. Principles and rules defined by the Board for determining compensation and benefits of any kind awarded to corporate officers

The issue of compensation for members of the Board of Directors primarily concerns the Chairman. The Chairman's overall compensation is reviewed on a preliminary basis by the Appointments and Compensation Committee, which submits a proposal to the Board of Directors.

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

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

15.1.2. Executive officer compensation

Executive officer: Henri Seydoux

- Start of office: June 24, 2003
- Reappointed: June 9, 2010
- End of office: general meeting ruling on the year ending December 31, 2014
- Employment contract: NO
- Supplementary pension scheme: NO
- Severance or termination benefits: NA
- Benefits due to a no-compete clause: NA

Summary of the executive officer's compensation (Table 1 of the AMF recommendation)

Henri Seydoux, Parrot's Chairman and CEO	FY 2012	FY 2013
Compensation due for the year (detailed in Table 2)	€ 725,000	€ 741,000
Value of options awarded during the year (detailed in Table 4)	NONE	NONE
Value of options awarded during the year (detailed in Table 6)	NONE	NONE
Total	**€ 725,000**	**€ 741,000**

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

Executive Officer	FY 2012 Amounts due	FY 2012 Amounts paid	FY 2013 Amounts due	FY 2013 Amounts paid
Fixed compensation	220,000	220,000	220,000	220,000
Variable compensation	480,000	311,121	496,000	113,000*
Exceptional compensation	NA	NA	NA	NA
Attendance fees	25,000	25,000	25,000	25,000
Benefits in kind	NA	NA	NA	NA
Total	**725,000**	**556,121**	**741,000**	**333,000**

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

For 2013, variable compensation was determined with a target of 100% based on a progressive scale combining a criterion for achieving revenues (25% weighting), an EBIT criterion (25% weighting) and a company performance criterion (50% weighting) assessed factoring in the key account Automotive contracts signed for solutions developed on Parrot's Android platform with two of the world's top 10 auto manufacturers, the changes in the business plans of the companies acquired (DiBcom senseFly, Varioptic), and the level of sales for retail products (AR.Drone, ZIK, ASTEROID range).

- **Securities with an equity component awarded during the year to each corporate officer by the issuer and any Group company (Table 4 of the AMF recommendation)**

None.

- **Securities with an equity component exercised during the year by each corporate officer (Table 5 of the AMF recommendation)**

None.

- **History of securities with an equity component awarded**

The company founder equity warrant schemes and share warrant schemes all expired in 2011 and were not exercised. No new schemes have been set up since then.

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

Name	Office	Compensation and benefits for 2012
Jean-Marie Painvin	Company director	Attendance fees: 25 K€ Benefits in kind: NA Reimbursement of costs: NA
Edward Planchon	Company director and Chairman of the Audit Committee	Attendance fees: 25 K€ for participating in the Board, and 15 K€ for chairing a specialized committee. Benefits in kind: NA Reimbursement of costs: $2,516 US dollars (paid by Parrot S.A.)
	Director of Parrot UK Ltd	NA
	Director of Parrot Iberia S.L	NA
	Vice-Chairman, Secretary, and Treasurer of Parrot, Inc.	NA
Olivier Legrain	Company director	Attendance fees: 25 K€ Benefits in kind: NA Reimbursement of costs: NA
Geoffroy Roux de Bézieux	Company director and Chairman of the Appointments and Compensation Committee	Attendance fees: 25 K€ for participating in the Board, and 15 K€ for chairing a specialized committee. Benefits in kind: NA Reimbursement of costs: NA
Jean-Yves Helmer	Company director	Attendance fees: 25 K€ Benefits in kind: NA Reimbursement of costs: NA
Stéphane Marie	Company director	Attendance fees: 25 K€ Benefits in kind: NA Reimbursement of costs: NA
Natalie Rastoin	Company director	Attendance fees: 25 K€ Benefits in kind: NA Reimbursement of costs: NA

It is also important to note that during 2013 the directors were not awarded any benefits in kind, specific pension plans or severance benefit provisions irrespective of the reasons for departure (dismissal, retirement, etc.).

15.3. Company provisions for pensions or other benefits for directors and other corporate officers

No provisions were recorded in this respect.

15.4. Corporate officer interests in the Company's capital

Officers	# of shares held at 12/31/2013	% of capital and voting rights	# of shares on a diluted basis	% of capital and voting rights
Henri Seydoux*	4,546,204	35.5%	4,546,204	35.3%
Jean Marie Painvin	100	0.0%	100	0.0%
Edward Planchon	0	0.0%	0	0.0%
Geoffroy Roux de Bézieux	732	0.0%	732	0.0%
Olivier Legrain	20	0.0%	20	0.0%
Jean-Yves Helmer	50	0.0%	50	0.0%
Stéphane Marie	1	0.0%	1	0.0%
Natalie Rastoin	1,000	0.0%	1,000	0.0%

(*) In February 2014, all the shares held by Henri Seydoux were transferred to Horizon, the company which he controls (cf.15.4.1 "Details of executive transactions to acquire, sell, subscribe for or exchange securities on the stock market").

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

In 2013, none of the executives, officers or persons to whom they are closely connected carried out any operations to acquire, sell off, subscribe for or exchange securities on the stock market. On February 24, 2014, the French-law partnership (société civile patrimoniale) Horizon[5] (65 avenue Marceau, 75116 Paris, France) disclosed that on February 19, 2014 it had exceeded the limits representing 5%, 10%, 15%, 20%, 25%, 30% and 1/3 of the capital and voting rights of the company Parrot, and held 4,546,204 Parrot shares, with the same number of voting rights, representing 35.89% of this company's capital and voting rights[6].

These limits were exceeded as a result of Mr Henri Seydoux[7] transferring all his Parrot shares over to Horizon, the company which he controls. Within this framework, the following statement of intent was made: "The company Horizon declares that:

- The limits have been exceeded as a result of a transfer to a company controlled by Mr Henri Seydoux, which has not required any financing;
- Its principal shareholder is Mr Henri Seydoux, Parrot's Chairman and Chief Executive Officer, with 99.93% of the capital;
- It is acting alone;
- It now has control of Parrot and does not intend to modify its current strategy;
- It does not intend to increase or decrease its interest in Parrot's capital;
- It is not considering any transactions that might have an impact on Parrot's strategy as covered by Section 6 of Part I of Article 223-17 of the AMF's general regulations;
- It has not entered into any agreements or does not have any instruments mentioned in Sections 4 and 4 ii of Part I of Article L. 233-9 of the French commercial code;
- It has not entered into any repurchase agreements concerning Parrot's shares and/or voting rights;
- It does not intend to ask for any directors to be appointed, considering that Mr Henri Seydoux is already a director in Parrot".

When Horizon exceeded the limits representing 30% of the capital and voting rights of the company Parrot, the decision was taken to exempt this from the requirement to file a proposed public offering, reproduced in D&I 213C2040 and put online on the AMF site on December 30, 2013.

15.4.2. Securities entitling holders to access the capital

[5] Company 99.99% controlled by Mr. Henri Seydoux, with the balance, i.e. 0.01%, held by members of the Seydoux family.
[6] Based on a capital comprising 12,667,372 shares, representing the same number of voting rights, in accordance with Section 2 of Article 223-11 of the AMF's general regulations.
[7] On this occasion, Mr. Henri Seydoux directly dropped below the limits representing 1/3, 30%, 25%, 20%, 15%, 10% and 5% of the capital and voting rights of the company Parrot and no longer directly holds any shares in this company.

At the registration date of the present reference document, the officers do not hold any securities entitling access to the capital.

XVI. Administrative and management body operations

The Company is compliant with the legal provisions in force concerning internal control and the principles relating to corporate governance. The Company has internal control procedures covering both operational and financial aspects. The Chairman of the Board of Directors has drawn up a report on the conditions for the preparation and organization of the Board's work, as well as the internal control procedures put in place by the Company.

Since February 2012, the Company has referred to the recommendations from the MiddleNext governance code. The MiddleNext corporate governance code for small and mid caps is available on the MiddleNext site (www.middlenext.com). Further details and information concerning the application of the recommendations from the MiddleNext governance code are provided in 15.4.1 “Details of executive transactions to acquire, sell, subscribe for or exchange securities on the stock market”.

16.1. Company management

Details on the Company's management are presented in Sections 14.1 above "Board of Directors" and 17.1.3 below "Executives" in this reference document.

Conditions for the performance of executive management

Mr. Henri Seydoux was reappointed as a director at the ordinary general meeting on June 18, 2009 for a six-year period. In addition, on June 19, 2009, the Company's Board of Directors appointed Mr. Henri Seydoux as Chairman and decided that its Company's executive management would continue to be performed by Mr. Henri Seydoux, serving as the Chairman and Chief Executive Officer.

Mr. Henri Seydoux’ term of office as a director, chairman of the Board of Directors and chief executive officer will end further to the ordinary general meeting convened to approve the financial statements for the year ending December 31, 2014.

Approach for the prevention of insider trading

The Company applies the recommendation issued by the French securities regulator (AMF) on November 3, 2010 under number 2010-07 concerning the prevention of insider trading and, since 2011, has introduced negative windows for managers and people assimilated with managers, as well as any parties with regular or occasional access to privileged information. Negative windows are set for 30 calendar days prior to the publication of the annual accounts, half-year accounts and, if applicable, complete quarterly accounts, or the publication of quarterly information. The parties subject to these windows are only authorized to trade in the Company's securities from the day after the information in question has been published.

16.2. Service agreements between members of the Board of Directors and the Company or any of its subsidiaries

Mr. Edward Planchon, appointed as a Company director on May 4, 2004, supervised the creation of the American subsidiary Parrot, Inc. and may be called on from time to time for consulting services due to his expertise for marketing high-tech products on the American market.

Mr. Edward Planchon, through EKP Consult LLC, the company he controls, may charge fees to the Company or Parrot, Inc. based on time spent by EKP Consult LLC (daily rate: USD equivalent of 1,500 euros) for services provided to the Company or Parrot, Inc.. No fees have been invoiced for 2011, 2012 or 2013.

For 2013, EKP Consult, LLC, the American-law company controlled by Mr. Edward Planchon, a Company director, did not bill for any services provided to any Group companies. EKP Consult was paid 2,516 US dollars by Parrot S.A. for the reimbursement of costs.

To the best of the Company's knowledge, there are no other service agreements in place between the Company or any of its subsidiaries and any of the members of the Company's Board of Directors providing for benefits to be awarded under such an agreement.

16.3. Permanent committees

The Board of Directors is made up of two permanent committees:

- The Audit Committee,
- The Appointments and Compensation Committee.

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

16.3.1. Appointments and Compensation Committee

The Appointments and Compensation Committee is chaired by Mr. Geoffroy Roux de Bézieux, appointed at the Board of Directors meeting on April 10, 2008. The other directors serving on the Committee are Messrs Henri Seydoux, Olivier Legrain and Jean-Yves Helmer. In accordance with the bylaws, at least two of the members are independent directors.

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

16.3.2. Audit Committee

The Audit Committee comprised the Chairman, Mr. Edward Planchon, and one independent member, Mr. Stéphane Marie.

The Audit Committee meets four times a year:

- For the approval of the audited accounts for the second and fourth quarters, the Chief Administrative and Financial Officer, the Head of Internal Audit and the statutory auditors attend the meetings. The primary objective with these meetings is to review the accounts.
- For the approval of the unaudited accounts for the first and third quarters, only the members of the Committee itself, the Chief Administrative and the Head of Internal Audit attend. The primary focus for these meetings is risk management and the effective application of internal control rules. The Audit Committee reports to the Board on its work at least once a year.

16.4. Corporate governance

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

16.4.1. Details and application of recommendations from the MiddleNext Governance Code

Recommendation 1: Corporate officers and employment contracts

(Summarized outline of the recommendation) Subject to compliance with the regulations, the Board of Directors should assess whether or not to authorize managers to have employment contracts when they are serving as corporate officers. The Chairman explains the grounds for this decision in his report.

The Company is compliant with this recommendation.

Recommendation 2: Definition and transparency of the compensation of corporate officers

The Board of Directors of each company should determine the level of compensation of its managers and the information disclosed on the subject, in accordance with the law and regulations. They should base themselves on the following seven principles: exhaustive, balanced, benchmarked, consistent, clear rules, measured and transparent.

The Company is compliant with this recommendation.

Recommendation 3: Golden handshakes

If provision has been made for a golden handshake in conditions that comply with the law, its maximum amount, after inclusion of any severance pay under the terms of any employment contract, should not exceed two years of (fixed and performance-related) compensation, except in cases where the compensation of the manager is clearly out of touch with the market (as is the case in start-ups, for example).

To date, the Company has not made any arrangements for golden handshakes for its managers.

Recommendation 4: Supplementary retirement schemes

In addition to applying the authorization procedures provided by law, the company should indicate in its report to the shareholders any defined-benefit supplementary retirement schemes it has set up for its managers and should provide justification for them, in the interests of transparency.

The Company has not set up any supplementary retirement schemes for its executive manager that are different from those in place for the Company's employees.

Recommendation 5: Stock options and bonus shares

All or part of the stock options and bonus shares awarded to managers should be subject to relevant performance conditions expressing the medium/long-term interests of the company.

Under the MiddleNext code, the definition of managers includes the following: "the managers may be the Chairman, the Managing Director or Deputy Managing Director in a business corporation with a Board of Directors…". No bonus shares or stock options are awarded to managers based on the definition of this term in the aforementioned governance code.

Recommendation 6: Introduction of Board Rules of Procedure

Rules of Procedure should be introduced.

The Company is compliant with this recommendation.

Recommendation 7: Director ethics

The ethical rules set out in the code should be observed.

The Company is compliant with this recommendation.

Recommendation 8: Composition of the Board – Independent directors

The Board should include at least 2 independent members. This number may be reduced to one member when the Board has 5 members or less.

The Company is compliant with this recommendation.

Recommendation 9: Choice of directors

Sufficient information about the experience and skills of each director should be supplied and the appointment of each director should be the subject of a distinct resolution.

The Company is compliant with this recommendation.

Recommendation 10: Directors' term of office

The Board should ensure that the statutory term of office is adapted to the specifics of the company, within the limits set by the law.

The Company is compliant with this recommendation.

Recommendation 11: Board member information

The directors themselves should assess whether the information supplied to them is sufficient, and demand any additional information that they might judge useful, if the need should arise. The Rules of Procedure should provide the practical terms for the supply of this information and should set reasonable timescales.

The Board members spontaneously request additional information whenever they consider this necessary. However, the Company plans to amend the Rules of Procedure for the Company's Board of Directors in 2014 in order to comply with this recommendation.

Recommendation 12: Creation of committees

Each company should decide whether to create one or more specialized or ad hoc committees (audit, compensation, appointments, strategy, etc.), according to its own situation. Concerning the setting up of an audit committee, the company decides, in accordance with the applicable regulations and in light of its particular situation, whether to set up an audit committee or to organize a board meeting to fulfil that mission itself in the conditions defined by the texts.

The Company is compliant with this recommendation.

Recommendation 13: Board and committee meetings

The frequency and duration of meetings should allow in-depth examination of the themes that are addressed. This frequency is at the discretion of the company, depending on its size and specific characteristics, but a minimum of 4 meetings a year is recommended. Minutes are drawn up of each Board meeting summarizing the debates. The Chairman's report must indicate the number of meetings held yearly and the attendance rate of the directors.

The Company is compliant with this recommendation.

Recommendation 14: Directors' compensation

The distribution of attendance fees, the global amount of which is determined by the general meeting, should be determined by the Board on the basis of the attendance record of the directors and the time they dedicate to the function. In its Annual Report and Chairman's Report, the company provides information on the attendance fees that have been paid out.

The Company is compliant with this recommendation

Recommendation 15: Introduction of Board evaluation

Once a year, the Chairman of the Board should call upon the directors to express themselves on the working of the Board and the preparation of its work. This discussion is recorded in the minutes of the session.

This evaluation is regularly carried out on an informal basis. This evaluation will be formalized in 2014 in order to comply with this recommendation.

16.5. Internal control procedures put in place by the Company

16.5.1. Internal control scope

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

In 2011, Parrot S.A. acquired two companies - DiBcom and Varioptic – which were consolidated on a retroactive basis to January 1, 2011 and subject to specific monitoring. Naturally, the scope for internal control has been extended to include such new integrated entities.

In 2012, Parrot acquired senseFly and Pix4D, whose accounts have respectively been fully consolidated and consolidated on an equity basis. These two entities have not been included in the internal control scope and are not likely to be included in 2014.

16.5.2. Company objectives concerning internal control procedures

Applying the internal control procedures, comprising rules, guidelines, directives and operating procedures, for all of the Group's activities and seeking to create the conditions for a general internal control environment that is in keeping with the Group's specific features.

As defined by the market group created on the AMF's initiative to map out a frame of reference for internal control that may be used by French companies subject to the requirements applicable under the French financial security law (Loi de sécurité financière), internal control represents a system defined by the Group and implemented under its responsibility, aimed at ensuring:

- The development and optimization of operations, including the performance of operations and the protection of our assets;
- The reliability of financial and management information (financial statements), the accurate and exhaustive nature of accounting records, and the timely production of reliable accounting and financial information;
- The compliance of activities with the laws and regulations in force;
- The prevention and management of risks resulting from the Company's activities, risks of errors or fraud, particularly in terms of accounting and financial aspects; like any control system, it cannot however provide any absolute guarantee that such risks will be eliminated entirely.

Furthermore, internal control also aims to:

- On the one hand, ensure that management decisions or operations are carried out and that staff behave within the framework defined by the guidance given for the Company's activities by the corporate bodies, by the laws and regulations in force, and by the Company's internal rules, standards and values;
- On the other hand, check that the accounting, financial and management information given to the corporate bodies accurately reflects the Company's situation.

By contributing towards preventing and managing the risks of not achieving the objectives set by the Group, the internal control system plays a key role in the performance and steering of its various activities. However, the internal control system cannot provide any absolute guarantees against all possible risks, no more than it can guarantee, regardless of its own quality or the quality of the staff performing such controls, perfect compliance with the objectives set by the Group.

16.5.3. General internal control structure

The players or structures performing control activities are as follows:

- Internal control is applied by several departments depending on the type of procedures, and more specifically the Administration and Finance Division, which is responsible for drawing up and implementing the procedures and ensuring the effective application of internal control with the Internal Control and Audit function.
- Delegations and authorizations are formalized in connection with the strict application of the procedures drawn up, relating more specifically to signatures on the bank accounts. Moreover, signatures on the bank accounts are limited in terms of the amounts concerned based on the positions of the signatories, with these restrictions expressly stipulated when opening such accounts with financial institutions.

The role of the various players or structures performing control activities in terms of internal control procedures and their general operating conditions are as follows:

- The application of procedures is controlled on a regular basis by the Administration and Finance Division, which is responsible for this on a day-to-day basis; these procedures are updated each year.
- Procurement / Production / Quality control is reviewed on a yearly basis by a specialized independent firm, which carries out an audit as part of the process to validate the ISO 9001 certification. The recommendations made are applied and used to update the procedures. The external benchmarks are the ISO 9001 certification awarded for quality control and formalized in a manual detailing the Company's internal procedures.
- Internal audit performs audit assignments, including in subsidiaries, in order to ensure that the Group's procedures and rules are effectively applied.
- An initial risk mapping was carried out in 2011 by the internal audit unit, and updated in 2012. The next update is scheduled for 2014.

16.5.4. Overview of the internal control procedures in place

16.5.4.1. Main internal control procedures

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

- **Information system**

Parrot set up an ERP (SAP Business One) for the head office in 2006 and the subsidiaries in 2007, benefiting from an integrated management system for the entire Group.

Between 2009 and 2013, several business and financial applications were rolled out: a PLM solution (SAP PLM), making it possible to monitor the lifecycle of Parrot products, as well as a reporting and planning solution (SAP BPC), a timesheet tracking solution for R&D projects (TimeS), and an expenses workflow solution (Notilus). A purchasing management workflow system with electronic signatures was rolled out in 2013, enabling the Company to accurately track its spending in detail.

In addition, an infrastructure audit was carried out at the end of 2010, with the recommendations from the audit report gradually implemented in 2011 and early 2012. This represents the first phase in a three-year plan to optimize the information systems. An IT helpdesk audit at the end of 2011 made it possible to move into line with ITIL best practices. In 2013, the Company deployed the BFC accounting consolidation system.

Lastly, following on from the plan to optimize the information systems, and in view of feedback from the risk mapping process, the first phase of the Business Continuity Plan was carried out in 2013, aiming to continue with the first applications in 2014.

Nature of main procedures

Written procedures are drawn up in the following areas:

- Procedure concerning travel, assignment and entertainment costs: objective to control staff business trips, and prior authorization for the main travel requests, particularly by plane, in order to justify the need for spending, raise staff awareness on the benefits and cost of such spending, prevent any abuse and meet the budget.
- Procedure concerning customers, in order to take preventative action on the customer risk (financial position) and monitor customer accounts, particularly in terms of the payment of their debts.
- Procedure concerning component purchases for Production, the Production process and Production quality control.
- Procedure concerning the recognition of revenues based on deliveries made by the logistics provider and the contractual conditions relating to volume discounts, particularly with retailers, in order to ensure the reliability of the financial statements.
- Procedure concerning the recognition of costs with a purchase order and order form system integrated into the ERP system in order to ensure the reliability of the financial statements.
- Procedure concerning promotion fees with an analysis of contractual conditions in order to ensure the reliability of the financial statements.
- Procedure concerning the management of marketing spending.
- Procedure concerning the management of price lists in the SAP information system in order to ensure compliance with the Group pricing policy.
- Procedure concerning the depreciation of inventories in order to ensure the reliability of the financial statements.
- Procedure concerning the management of property, plant and equipment in order to monitor investments more effectively.

Internal control procedures relating to the preparation and processing of accounting and financial information

More specifically, the organization for drawing up the accounting and financial information intended for shareholders is as follows:

Main internal control players involved in controlling this information:

- Accounting Manager for the procedures concerning customers, controlling pricing policies, etc.
- Administrative Manager for the procedure concerning travel, assignment and entertainment costs, etc.
- Head of Management Control for supplier commitment and inventory management procedures, R&D spending, pricing model, etc.
- Administrative and Financial Managers to cover the main operational activities (Digital Tuner, Varioptic and significant subsidiaries), etc.
- Head of Cash and Credit Management for the procedures to allocate banking authorities, interest and exchange rate hedging, etc.
- Following the Group’s recent acquisitions, a dedicated controller for the activities acquired is responsible for reporting financial information and ensuring consistency with the Group reporting format.

- The strict accounting rules are applied, particularly for cost accounting and the naming of products and components, which make it possible to draw up the monthly reports. A manual of Group financial procedures was drawn up in 2011.

Accounting functions are centralized by the chief accountant, who reports to the Chief Administrative and Financial Officer.

The function relating to budget control and reporting is overseen by the Financial Controller, who reports to the Chief Administrative and Financial Officer.

The Consolidation function was created in 2009 and reports to the Chief Administrative and Financial Officer. Its role is to establish the consolidated accounts and ensure that the financial statements are compliant with the rules in force. In this way, it oversees tax risks.

The accounting information system is interfaced with the other information systems (commercial management, fixed assets, sourcing, inventory management).

The Company closes its accounts on a monthly basis, making accurate adjustments for each quarterly close.

The budgeting procedure, with the collection of information on a decentralized basis by each of the Group's operational departments and legal entities through to approval, makes it possible to draw up the consolidated budget, which can be compared against the close of account reports. Accounting figures are interfaced with the budget and reporting system.

In the same way as for general internal control, the processes contributing towards controlling the preparation of accounting and financial information are known by the various players.

16.5.5. Specific conditions for shareholder participation in general meetings

The conditions for shareholder participation in general meetings are set in Article 20 of the Company's bylaws in the section entitled "Access to general meetings – Powers", and presented below, and available in full in Section 21.2.5 “General meetings” in this reference document:

- **Access to general meetings – Powers:**

1) The general meeting comprises all the shareholders, irrespective of the number of shares held, provided that they have been fully paid-up. All shareholders are entitled to attend general meetings and take part in deliberations, either personally or through a proxy, irrespective of the number of shares held, upon justification of their status.

2) If shareholders are unable to attend general meetings in person, they may choose one of the following three options:

- Be represented by another shareholder or their spouse;
- Vote remotely using a paper or electronic form, in accordance with the regulatory requirements, and which may be obtained under the conditions indicated in the notice to attend for the meeting; paper correspondence voting forms will only be taken into consideration if they reach the Company at least three (3) days before the meeting date; electronic correspondence voting forms may be received by the Company up until 3 pm (Paris time) on the day before the general meeting;
- Send a power of attorney form to the Company without indicating any representative; the chairman of the general meeting will vote in favor of adopting the draft resolutions put forward or approved by the Board of Directors, and will vote against adopting any other draft resolutions; to vote in any other way, shareholders will need to select a proxy, who agrees to vote as indicated by the shareholders in question.

Holders of securities referred to in Paragraph 7 of Article L. 228-1 of the French commercial code may be represented by a registered intermediary under the terms and conditions required by French law.

3) The right to take part in general meetings is subject to securities being registered in the name of the shareholder or their intermediary by midnight (Paris time) on the third working day before the meeting, either in the registered securities accounts held by the Company, or in the bearer securities accounts held by an authorized intermediary, as justified in accordance with the regulations in force.

Under this condition, all shareholders are entitled to take part in meetings, irrespective of the number of shares held, either in person, using videoconferencing facilities or any other electronic means of communication applicable under the laws and regulations in force, as mentioned in the notice to attend, by returning a correspondence voting form or appointing a proxy.

The Board of Directors may shorten or eliminate the timeframes indicated above.

The Board of Directors may, if it deems it relevant, provide shareholders with personal admission cards in their own names and require these cards to be shown.

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

16.5.6. Elements likely to have an impact in the event of a public offering

Only the extraordinary general meeting is authorized to amend any bylaw provisions.

To the best of the Company's knowledge, the Group has not entered into any agreements that would be amended or terminated in the event of a change of control, or any agreements providing for compensation for executives or employees if their positions were to be terminated further to a public offering.

However, if all of the Company's shares were to be sold to a new shareholder (sale of the Company), or the Company was taken over and merged with another company, the beneficiaries of stock warrants would be automatically entitled to exercise 50% of their remaining options ahead of schedule and would be required to exercise these options within 90 days of the definitive sale or merger.

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

KPMG Audit IS	ERNST & YOUNG et Autres
Immeuble Le Palatin	1/2, place des Saisons
3 cours du Triangle	Tour First
CS 80039	TSA 14 444
92939 Paris La Défense Cedex	92037 Paris La Défense Cedex
France	France

Dear Shareholders,

In our capacity as statutory auditors for Parrot, and in accordance with the provisions of Article L.225-235 of the French commercial code, please find hereafter our report on the report drawn up by the Chairman of your company pursuant to the provisions of Article L.225-37 of the French commercial code for the year ended December 31, 2013.

The Chairman is responsible for drawing up a report and submitting it for approval to the Board of Directors, presenting the internal control and risk management procedures put in place within the company and providing the other information required by Article L.225-37 of the French commercial code notably relative to the corporate governance system.

It is our responsibility to:

- Report to you our observations on the information set out in the Chairman's report concerning the internal control and risk management procedures relating to the preparation and processing of accounting and financial information, and
- Certify that this report contains the other information required under Article L.225-37 of the French commercial code, it being understood that it is not our responsibility to check the accuracy of such other information.

We conducted our audit in accordance with the industry standards applicable in France. We conducted our audit in accordance with the industry standards applicable in France.

Information concerning the internal control and risk management procedures relating to the preparation and processing of accounting and financial information

Industry standards require that we plan and perform the audit to obtain reasonable assurance that the information concerning the internal control and risk management procedures applied when drawing up and processing the accounting and financial information contained in the Chairman's report is free from any material misstatements. This notably consisted of:

- Reviewing the internal control and risk management procedures relative to the preparation and processing of the accounting and financial information supporting the information presented in the Chairman's report, as well as existing documentation;

- Reviewing work that has made it possible to draw up such information and existing documentation;
- Determining whether the major shortcomings concerning internal control relative to the preparation and processing of accounting and financial information which we have identified in connection with our audit are presented with appropriate information in the Chairman's report.

On the basis of this work, we do not have any observations to make regarding the information given concerning the company's internal control and risk management procedures relative to the preparation and processing of the accounting and financial information contained in the Chairman of the Board of Directors' report, drawn up pursuant to the provisions of Article L.225-37 of the French commercial code.

Other information

We certify that the Chairman of the Board of Directors' report contains the other information required under Article L.225-37 of the French commercial code.

Paris-La Défense, April 17, 2014

The statutory auditors

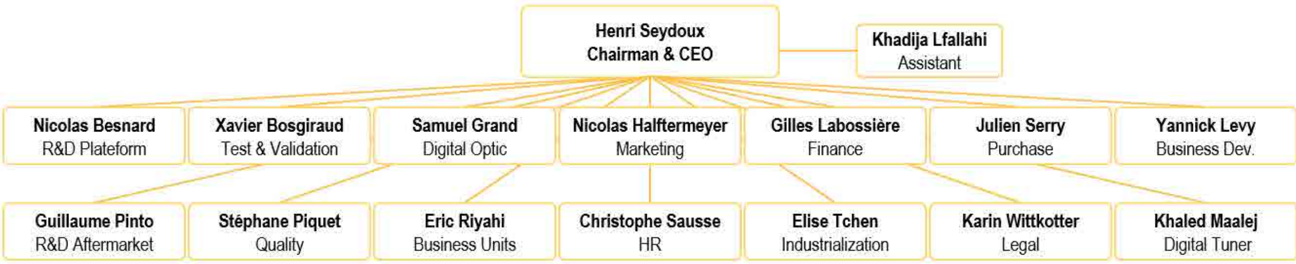
KPMG Audit IS	ERNST & YOUNG et Autres
Eric Lefebvre	Pierre Jouanne
Partner	*Partner*

XVII. Employees

17.1. Human resources

17.1.1. Structure of the group

At December 31, 2013, the main executives reporting to the Chairman and CEO are as follows:



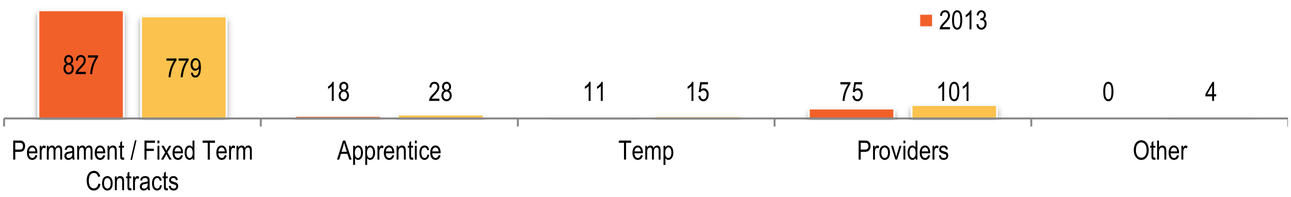
The Group's success stems among other things from the quality of its management team, who have a strong and varied level of experience in the different markets on which Parrot operates: telecommunications, retail, automotive, electronics, research, etc. For biographical information on the main executives who are part of the Group Executive Committee, please refer to Section 17.1.3 below "Executive managers" in the present reference document.

17.1.2. Workforce

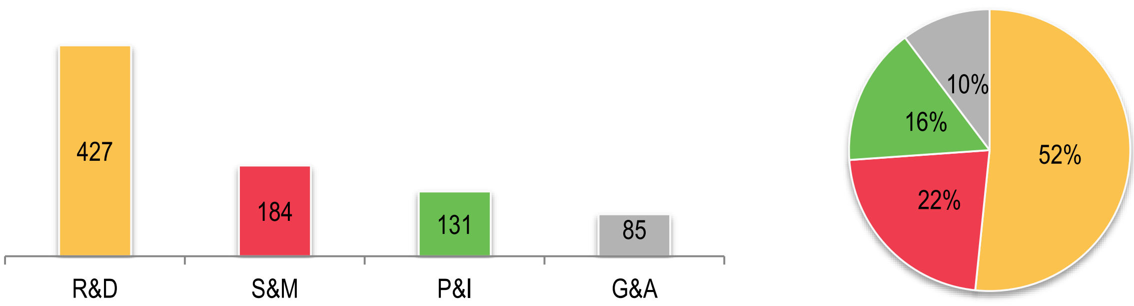
At December 31, 2013, the Group employed 827 people (permanent and fixed-term contracts), including 582 people within the Company, representing 70% of the Group's workforce. At end-2013, the Group also had 75 contractors, 11 temporary staff and 18 interns. Indeed, to further strengthen its capacity for innovation and benefit from a certain flexibility, Parrot also calls on highly specialized providers for engineering services in the research and development sector.

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

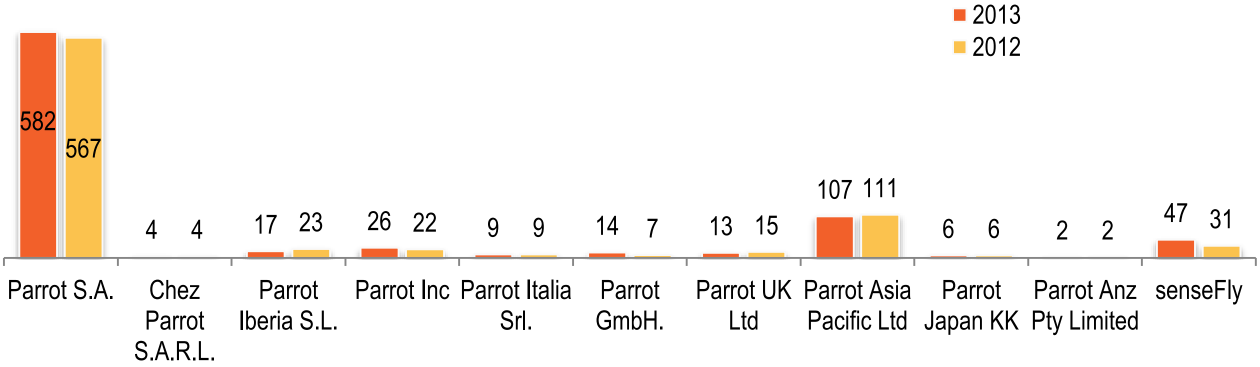
■ Breakdown of the Group's workforce by category



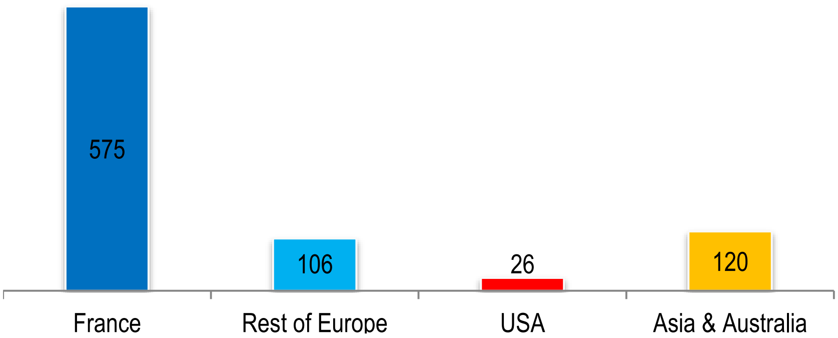
■ Breakdown of the Group's workforce (permanent and fixed-term contracts) by function

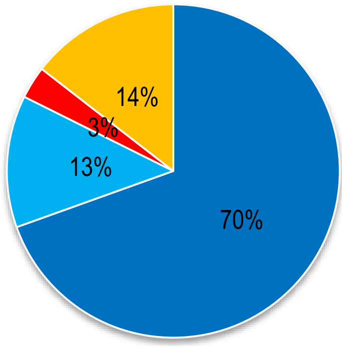


Breakdown of the Group's workforce (permanent and fixed-term contracts) for each subsidiary at December 31, 2013



Breakdown of the Group's workforce by region at December 31, 2013





Additional information

Additional information is also available in Sections 6.7.4 “Societal commitments to sustainable development” and 20.4.3.5 “Note 5 – Other information”.

The Company also draws up a HR report, which is available on request from Parrot, Investor Relations Department, 174 quai de Jemmapes, 75010 Paris, France.

17.1.3. Executive managers

The main executive managers who are part of the Group's management committee are as follows:

Henri Seydoux

The biography of Henri Seydoux, Parrot's Chairman and Chief Executive Officer, is presented in Section 14.1.2 “Director biographies”.

Nicolas Besnard

Nicolas Besnard joined Parrot in 1994 (year when it was founded) and has been its Chief Technical Officer for many years now, after working as a software development engineer then head of software development. After graduating from Ecole Supérieure d'Electricité (Supelec) in Gif-sur-Yvette, he began his career at the Kourou-Arianespace space center in French Guyana, carrying out software development research as part of the "ground resources" team for the European launcher Ariane IV.

Samuel Grand

Samuel Grand joined Parrot in 2005 as Chief Procurement Officer, before being appointed to head up the new business unit Varioptic at the end of 2011.

With a postgraduate DESS in procurement and electronics from Bordeaux University, he began his career in a tech firm from the telecoms sector in Portugal. Between 1998 and 2001, he served as a buyer and senior buyer respectively for Beta Electronics then ACT Manufacturing, two electronics subcontractors based in Ireland. Between 2001 and 2005, he became head of procurement for Eurologic then NCR, both American electronics manufacturers and world leaders in their fields.

Nicolas Halftermeyer

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

Gilles Labossière

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

Yannick Levy

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

Khaled Maalej

Khaled Maalej joined Parrot in September 2011 as Technical Director of the Digital Tuner business unit following the acquisition of DiBcom. In 2000, he co-founded DiBcom. Previously, Khaled Maalej was technical director of Atmel Communication's broadband communications branch and spent five years in the signal processing team at Sat/Sagem, co-developing several integrated chipsets. Khaled Maalej graduated as an engineer from Ecole Polytechnique (Palaiseau) and Ecole Supérieure des Télécommunications (Paris).

Guillaume Pinto

Guillaume Pinto joined Parrot in January 2006 as Deputy Chief Technical Officer in charge of the organization of the research office, as well as project planning and coordination. A Polytechnique graduate, he worked in 2004 in the signal processing department which was part of Parrot's research office, before continuing with his studies at Stanford University (US).

Eric Riyahi

Eric Riyahi joined Parrot in September 2005 as Executive Director for the OEM Key Accounts range. In 1994, he joined the Valeo Electronique group, working as an applications engineer and then project manager, responsible for costs, quality and deadlines. In 1999, he started off as a customer account manager for Visteon, where he then became a European product manager. Eric graduated from INSEAD YMP and EUDIL in Lille.

Christophe Sausse

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

Resources Development Manager within the Sema Group. In 2000, he joined Bouygues Télécom, serving as HR manager then head of human resources for a subsidiary.

- **Julien Serry**

Julien Serry joined Parrot in November 2013 as Group Procurement Officer. He graduated from the Université de Technologie de Compiègne. From 1999 to 2007, he held various procurement positions within the PSA Peugeot Citroën group, including procurement manager for vehicle interior equipment. He then spent six years in the smartcard sector and more specifically with FCI, where he set up the procurement department for the FCI Microconnections division. From 2011 to 2012, he headed up the procurement department of the Linxens group (formerly FCI Microconnections), following the spin-off by the Bain Capital fund.

- **Elise Tchen**

Elise Tchen joined Parrot in 2000 to oversee product manufacturing as the Chief Industrial and Quality Officer. She has transformed this department into an industrial division capable of growing at the same rate as the Company. Since September 2006, Elise has been heading up Parrot's Asia-Pacific subsidiary, in Hong Kong and Shenzhen. She has developed an entity covering both the industrial section and component sourcing. This entity is enabling the Group to be as close as possible to suppliers in order to ensure effective control over quality and dramatically reduce the costs of the products manufactured. After graduating from ENSEM in Nancy, she began her career at Renault, first in the research division, and then in the cabling engineering research team.

17.2. Company founder equity warrants, stock options and bonus shares for Group staff

17.2.1. Company founder equity warrants

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

17.2.2. Stock warrants

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

On the date when this reference document was published, no stock warrants had been awarded to the executive officer or certain corporate officers, and this has been the case since Parrot's initial public offering. The Group's employees are the main beneficiaries, in line with its commitment to retaining its teams and enabling them to share in the Company's performances.

The Human Resources Department submits proposals to the Appointments and Compensation Committee for stock warrants to be awarded.

For further details on the authorizations requested in connection with the upcoming general meeting, refer to Section XXVII "Resolutions for the general meeting on June 11, 2014".

- **Status of stock warrants**

In number of warrants	2012	2013
Number of warrants at January 1	1,184,617	942,134
Warrants maturing during the previous year	-63,392	
Warrants awarded during the year	295,250	91,500
Warrants exercised during the year	-209,941	-226,163
Warrants maturing during the year	-264,400	-23,100
Number of warrants at year-end	**942,134**	**784,371**

In total, 46,050 stock warrants were exercised in 2013.

- **Stock warrants awarded in 2013**

In 2013, under the delegation of authority granted by the Company's extraordinary general meeting on June 6, 2012, the Chairman, as sub-delegated by the Board of Directors, awarded 34,500 stock options out of the 190,512 approved by the general meeting to certain employees (see Note 4) on the dates indicated below:

- Chairman’s decision on March 8, 2013 (as delegated by the Board of Directors on February 20, 2013): 10,500 stock options based on an exercise price of 27.11 euros.
- Chairman’s decision on May 31, 2013 (as delegated by the Board of Directors on May 15, 2013): 24,000 stock options based on an exercise price of 22.48 euros.

These 34,500 stock options take the total number of options to be awarded at year-end 2013 up to 133,012.

Historical breakdown of stock options

Date of Board Meeting and type of scheme	Duration	Number of options in place at Dec 31, 12	Number of options awarded in 2013	Number of options exercised in 2013	Number of options cancelled or lapsed	Number of options in place at Dec 31, 13
Apr 10, 08: stock options	4 years	1,500		-1,500		
May 13, 08: stock options	4 years	6,700			-6,700	
Jul 31, 08: stock options	4 years	13,000		-2,000	-11,000	
Nov 13, 08: stock options	4 years	3,000		-3,000		
Feb 12, 09: stock options	4 years	71,458		-27,145		44,313
May 14, 09: stock options	4 years	45,322		-11,279		34,043
Jul 30, 09: stock options	4 years	0,260				0,260
Nov 12, 09: stock options	4 years	5,000				5,000
Feb 11, 10: stock options	4 years	18,468				18,468
May 12, 10: stock options	4 years	37,450		-1,126		36,324
Jul 29, 10: stock options	4 years	95,000				95,000
Nov 10, 10: stock options	4 years	6,000				6,000
Feb 10, 11: stock options	4 years	16,000				16,000
Feb 11, 11: bonus shares	2 years	58,400		-54,400	-4,000	
May 12, 11: stock options	4 years	20,213				20,213
May 12, 11: bonus shares	2 years	34,613		-33,813	-0,800	
Jul 28, 11: stock options	7 years	8,000				8,000
Jul 28, 11: bonus shares	2 years	73,300		-34,100	-0,200	39,000
Nov 10, 11: stock options	7 years	75,000				75,000
Nov 10, 11: bonus shares	2 years	58,200		-57,800	-0,400	
Feb 15, 12: stock options	7 years	203,750				203,750
Feb 15, 12: bonus shares	2 years	26,750				26,750
May 12, 12: stock options	7 years	20,800				20,800
May 12, 12: bonus shares	2 years	3,900				3,900
Jul 28, 12: bonus shares	2 years	11,850				11,850
Nov 10, 12: stock options	7 years	23,000				23,000
Nov 10, 12: bonus shares	2 years	5,200				5,200
Feb 20, 13: stock options	7 years		10,500			10,500
Feb 20, 13: bonus shares	2 years		23,700			23,700
May 15, 13: stock options	7 years		24,000			24,000
May 15, 13: bonus shares	2 years		13,300			13,300
Aug 1, 13: bonus shares	3 years		2,500			2,500
Nov 15, 13: bonus shares	3 years		17,500			17,500
Total		**942,134**	**91,500**	**-226,163**	**-23,100**	**784,371**

Stock options awarded to the Group's 10 staff who received the highest number in 2013:

Beneficiary *	Date awarded by BoD and/or Chairman	Number of options awarded	Corresponding share allocation	Subscription price (€)	Exercise period (1)
R&D team leader	Mar 8, 2013	3,000	3,000	27.111	Until March 8, 2020
Country manager	Mar 8, 2013	3,000	3,000	27.111	Until March 8, 2020
Regional sales director	Mar 8, 2013	3,000	3,000	27.111	Until March 8, 2020
R&D engineer	May 31, 2013	1,500	1,500	27.111	Until March 8, 2020
Regional sales manager	May 31, 2013	8,000	8,000	28.488	Until May 31, 2020
Country manager	May 31, 2013	8,000	8,000	28.488	Until May 31, 2020
Country manager	May 31, 2013	8,000	8,000	28.488	Until May 31, 2020

* Seven staff benefited from stock options in 2013.

(1) 50% of the warrants may be exercised by the earliest at the end of a 24-month period following their allocation date for warrants awarded as authorized by the combined general meeting on June 4, 2013.Further to this period, the remaining warrants may be exercised at a rate of 6.25% per quarter, at the end of each quarter during the 24 months following the first 24-month period. They are valid for five years. In any case, warrants may be exercised up to eight days prior to the end of the five-year period following the date of their issue.

Breakdown of stock warrants awarded for each category of staff

34,500 stock warrants were awarded in 2013, with the following breakdown:

- Parrot S.A. staff 7,500
- Staff from foreign subsidiaries 27,000
- Corporate officers 0

17.2.3. Bonus shares

During its general meetings, the Group invites its shareholders to vote on authorizations to be given to the Board of Directors to freely award existing shares and/or shares to be issued to employees and/or certain corporate officers of the Company or related companies.

On the date when this reference document was published, no bonus shares had been awarded to the executive officer or certain corporate officers, and this has been the case since Parrot's initial public offering. The Group's employees are the main beneficiaries, in line with its commitment to retaining its teams and enabling them to share in the Company's performances. In addition, the shares used when awarding bonus shares are traditionally taken from treasury stock acquired by the Company in connection with its share buyback programs and therefore do not result in any dilution of the capital.

The Human Resources Department submits proposals to the Appointments and Compensation Committee for bonus shares to be awarded.

For further details on the authorizations requested in connection with the upcoming general meeting, refer to Section XXVII "Resolutions for the general meeting on June 11, 2014".

Bonus shares awarded in 2013

Date authorized by general meeting	Date awarded by Board	Number and type of shares to be awarded	Number of shares awarded
May 31, 2011	Jul 28, 2011 and Jul 29, 2013 (awarded to managers from Varioptic BU)	65,000 existing shares	26,000
Jun 6, 2012	Feb 20, 2013	46,454 existing shares	23,700
Jun 6, 2012	May 15, 2013	22,754 existing shares	13,300

Bonus shares awarded to the Group's 10 staff who received the highest number in 2013

Entity	Date awarded (1)	Positions	Number of bonus shares	Vesting period	Lock-in period (2)
Parrot Iberia SL	Feb 20, 2013	Sales director Spain	1,000	Feb 20, 2015	2 years
Parrot S.A.	Feb 20, 2013	Head of management control	1,000	Feb 20, 2015	2 years
Parrot S.A.	Feb 20, 2013	FAE director	1,000	Feb 20, 2015	2 years
Parrot S.A.	Feb 20, 2013	Project leader	1,000	Feb 20, 2015	2 years
Parrot S.A.	Feb 20, 2013	Project leader	1,000	Feb 20, 2015	2 years
Parrot S.A.	Feb 20, 2013	Software architect	750	Feb 20, 2015	2 years
Parrot S.A.	Feb 20, 2013	Software group manager	750	Feb 20, 2015	2 years
Parrot S.A.	May 15, 2013	OS manager	1,000	May 15, 2015	2 years
Parrot S.A.	Jul 29, 2013	Head of R&D at Varioptic	20,000	Jul 29, 2015	2 years
Parrot S.A.	Jul 29, 2013	Head of Varioptic BU	6,000	Jul 29, 2015	2 years

(1) The definitive vesting date and the definitive number of bonus shares to be awarded depend on various performance conditions reviewed by the Board of Directors between the second and fourth anniversaries of the allocation date. (2) The lock-in period runs from the definitive vesting date.

Breakdown of bonus shares awarded by category in 2013

Out of all the bonus shares awarded, i.e. 37,000, the breakdown is as follows:

- Parrot S.A. staff 36,000
- Staff from foreign subsidiaries 1,000
- Corporate officers 0

17.3. Mandatory profit-sharing agreements

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

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

For 2013, the amount of the special profit-sharing reserve to be paid out represents nothing, as in 2012.

17.4. Voluntary performance-related bonus agreement

A voluntary performance-related bonus agreement was signed on June 29, 2009 for a three-year period between the Company and the sole staff representative office, notably looking to offer staff an opportunity to share in the Company's development and performances.

A new voluntary performance-related bonus agreement was signed on June 20, 2012 between the Company and the sole staff representative office. The agreement was entered into for a three-year period, commencing January 1, 2012.

The performance-related bonus is calculated based on elements from the Group's income from ordinary operations and revenues.

The individual amount of the performance-related bonus is determined in proportion to each employee's salary base for half, with the other half calculated in proportion to the period for which the employee was present during the year.

In 2013, the amount of the performance-related bonus to be paid out is 0.37 M€ (versus 2.4 M€ in 2012).

XVIII. Main shareholders

18.1. Shareholding structure

18.1.1. Current breakdown of the share capital and voting rights

The following table presents the breakdown of the capital interests and voting rights of the Company's main shareholders at December 31, 2013 (i) before the exercising of securities entitling holders to access the Company's capital (undiluted capital) and (ii) after the exercising of securities entitling holders to access the Company's capital.

The total number of Company shares that could be issued if all the securities entitling holders to access the Company's capital at December 31, 2013 were exercised is 640,671 for stock options, representing a potential dilution of around 5.06% of the Company's capital; traditionally, the Company offsets issues of stock options by cancelling treasury stock.

Readers are also invited to refer to Section 4.1.11 "The company issues dilutive instruments which could have an impact on its capital" and 21.1.4 "Potential capital" in this reference document.

At December 31, 2013	Number of shares held	% of capital	% of voting rights	Number of shares on a diluted basis	% of capital	% of voting rights
Total number of shares (A)	**12,655,293**	**100%**	**100%**	**13,295,964**	**100%**	**100%**
Founder (B)						
Henri Seydoux (1)	4,546,204	35.9%	35.9%	4,546,204	34.2%	34.2%
Founder, Chairman subtotal	4,546,204	35.9%	35.9%	4,546,204	34.2%	34.2%
Directors (C)						
Jean Marie Painvin	100	0.0%	0.0%	100	0.0%	0.0%
Edward Planchon	1	0.0%	0.0%	1	0.0%	0.0%
Geoffroy Roux de Bézieux	732	0.0%	0.0%	732	0.0%	0.0%
Olivier Legrain	20	0.0%	0.0%	20	0.0%	0.0%
Jean-Yves Helmer	50	0.0%	0.0%	50	0.0%	0.0%
Stéphane Marie	1	0.0%	0.0%	1	0.0%	0.0%
Natalie Rastoin	1,000	0.0%	0.0%	1,000	0.0%	0.0%
Directors subtotal	1,904	0.0%	0.0%	1,904	0.0%	0.0%
Other declared investors						
Covéa Finance	914,305	7.2%	7.2%	914,305	6.9%	6.9%
Subtotal for declared investors	914,305	7.2%	7.2%	914,305	6.9%	6.9%
Parrot S.A. treasury shares (D)	**625,449**	**4.9%**	**4.9%**	**625,449**	**4.7%**	**4.7%**
TOTAL	**6,087,862**	**48.1%**	**48.1%**	**6,087,862**	**45.8%**	**45.8%**

(*) In February 2014, all the shares held by Henri Seydoux were transferred to Horizon, the company which he controls (cf.15.4.1 "Details of executive transactions to acquire, sell, subscribe for or exchange securities on the stock market").

At December 31, 2013, the estimated float (A-B-C-D) therefore represented 59.1% of the capital.

18.1.2. Change in the Company's capital

For the main shareholders, the following table presents the changes in their interests in the Company's share capital (% of capital) and voting rights (% of voting rights) over the last two financial years:

	Position at Dec 31, 2013			Position at Dec 31, 2012		
	Number of shares	% of capital	% of voting rights	Number of shares	% of capital	% of voting rights
Founder (B)						
Henri Seydoux	4,546,204	35.9%	35.9%	4,546,204	35.5%	35.5%
Founder, Chairman subtotal	**4,546,204**	**35.9%**	**35.9%**	**4,546,204**	**35.5%**	**35.5%**
Directors (C)						
Jean Marie Painvin	100	0.0%	0.0%	100	0.0%	0.0%
Edward Planchon	1	0.0%	0.0%	1	0.0%	0.0%
Geoffroy Roux de Bézieux	732	0.0%	0.0%	732	0.0%	0.0%
Olivier Legrain	20	0.0%	0.0%	20	0.0%	0.0%
Jean-Yves Helmer	50	0.0%	0.0%	50	0.0%	0.0%
Stéphane Marie	1	0.0%	0.0%	1	0.0%	0.0%
Natalie Rastoin	1,000	0.0%	0.0%	1,000	0.0%	0.0%
Directors subtotal	**1,904**	**0.0%**	**0.0%**	**1,904**	**0.0%**	**0.0%**
Other declared investors						
Cové Finance	914,305	7.2%	7.2%	920,479	7.2%	7.2%
Subtotal for declared investors	**914,305**	**7.2%**	**7.2%**	**920,479**	**7.2%**	**7.2%**
Parrot S.A. treasury shares (D)	**625,449**	4.9%	4.9%	**685,983**	5.4%	5.4%
TOTAL	**6,087,862**	**48.1%**	**48.1%**	**6,087,862**	**47.5%**	**47.5%**

(*) In February 2014, all the shares held by Henri Seydoux were transferred to Horizon, the company which he controls (cf.15.4.1 "Details of executive transactions to acquire, sell, subscribe for or exchange securities on the stock market").

18.2. Voting rights

Each Company share is entitled to one voting right. As such, the shareholders listed in Section 18.1.1 above "Current breakdown of the share capital and voting rights" in the present reference document have a number of voting rights that is equal to the number of shares they hold.

18.3. Issuer's control

At December 31, 2013 the Company's main shareholder was Mr. Henri Seydoux, holding 35.9% of the Company's capital and voting rights and serving as its Chairman and Chief Executive Officer. Since February 2014, all the shares held by Henri Seydoux have been transferred to Horizon, the company which he controls (cf. 15.4.1 "Details of executive transactions to acquire, sell, subscribe for or exchange securities on the stock market").

In this way, Henri Seydoux controls Parrot, which he founded in February 1994 and has managed for 20 years. As indicated in Section 16.4 "Corporate governance" and Section 16.5 "Internal control procedures put in place by the Company" in this reference document, the Company has put in place the provisions required to comply with the corporate governance system following the MiddleNext Governance code recommendation, more specifically setting up an Audit Committee and an Appointments and Compensation Committee, which report on their work directly to the Board of Directors. Furthermore, five of the eight directors are independent, which makes it possible to ensure that decisions are taken in line with the corporate interests of the Company and the Group in general.

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

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

– No other shareholders holding directly, indirectly or in concert 5.00% or more of Parrot's capital or voting rights,

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

18.5. Information on the change

Parrot share characteristics

ICB classification

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

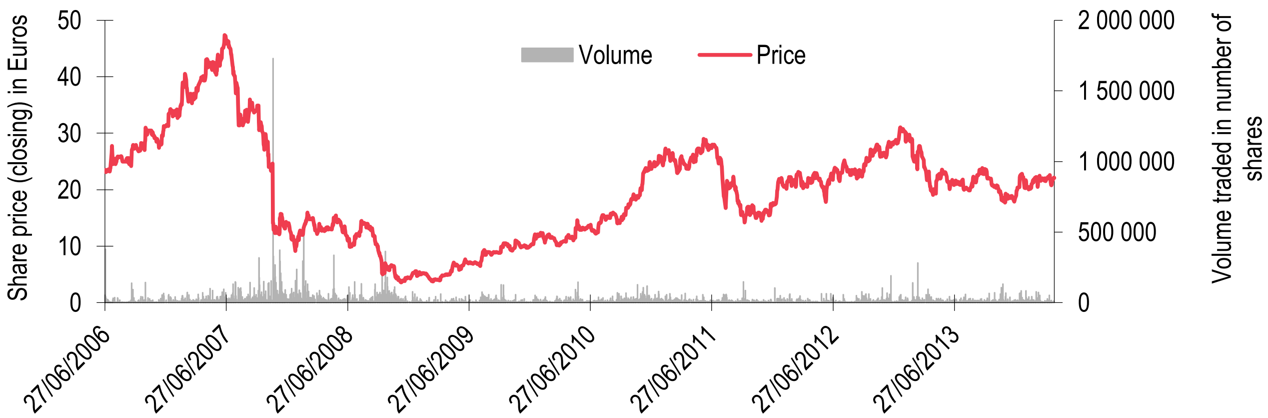
Market characteristics:

- **Market: Euronext Compartment B**
- **ISIN:** FR0004038263
- **Ticker: PARRO**
- Listing currency: **euro**
- Listing group: **16**
- Trading frequency: **continuous**

Other information

- Eligible for share-based savings schemes: yes
- Eligible for SME share-based savings schemes: yes
- Deferred settlement service: eligible for long-only deferred settlement service

Change in Parrot's share price from listing (June 27, 2006) to April 24, 2014



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

Closing share price in euros Volume in number of shares traded	2012	2013
Highest closing price	28.51	31.05
Highest daily volume	190,790	281,541
Lowest closing price	17.40	17.72
Lowest daily volume	549	1,829
Average closing price for the year	23.11	22.69
Average volume for the year	16,382	20,650

XIX. Operations with related parties

19.1. Information on regulated agreements and commitments

For FY 2013, EKP Consult, LLC, the American-law company controlled by Mr. Edward Planchon, a Company director, did not bill for any services provided to any Group companies. EKP Consult was paid USD 2,516 by Parrot S.A. for the reimbursement of costs;

No other agreements governed by Article L.225-38 of the French commercial code were entered into in 2013, particularly with any shareholders with significant voting rights in the Company's capital representing more than 2.5% of the capital, any members of the executive management bodies, including any directors, or any entities over which one of the main executives exercises control, joint control or a significant influence or holds a significant number of voting rights.

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

KPMG Audit
Immeuble Le Palatin
3 cours du Triangle
CS 80039
92939 Paris La Défense Cedex
France

ERNST & YOUNG et Autres
1/2, place des Saison
Tour First
TSA 14 444
92037 Paris la Défense Cedex
France

Dear Shareholders,

In our capacity as your company's statutory auditors, please find hereafter our report on regulated agreements and commitments.

We are required to report to you, based on the information provided, on the main terms and conditions of agreements and commitments that we have been informed of or that we have become aware of in connection with our audit, without making any judgment relative to their utility or legitimacy, or looking into the possible existence of any other agreements and commitments. It is your responsibility, under the terms of Article R.225-31 of the French commercial code, to evaluate the benefits of concluding such agreements and commitments with a view to their approval.

As relevant, it is also our responsibility to provide you with the information required under Article R. 225-31 of the French commercial code relative to the implementation during the past year of any agreements and commitments already approved by the general meeting.

We have performed the procedures that we have deemed necessary in view of the French national statutory auditors board (Compagnie Nationale des Commissaires aux Comptes) professional standards relative to this mission. These standards require that we perform procedures to verify that the information given is consistent with the underlying documents.

■ Agreements and commitments submitted for approval at the general meeting

We have not been informed of any agreements or commitments approved during the past financial year and to be submitted for approval by the general meeting as provided for under Article L. 225-38 of the French commercial code.

■ Agreements and commitments already approved by the general meeting

► **Agreements and commitments approved during previous years whose performance continued over the last financial year**

In accordance with Article R. 225-30 of the French commercial code, we have been informed that the performance of the following agreements and commitments, which were approved at general meetings in previous financial years, continued during the last financial year.

With EKP Consult, LLC, the American-law company controlled by Mr. Edward Planchon, a director of your company.

- **Nature and purpose**

– Agreement for providing services to Group companies.

- **Conditions**

– Amount of services invoiced to the Group in 2013: none.
– Amount of costs reimbursed by your company in 2013: 2,516 US dollars.

Paris-La Défense, April 17, 2014

The statutory auditors

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

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

20.1. Consolidated financial statements

20.1.1. Consolidated income statement

€'000 / K€	Note	Dec 31, 2012	Dec 31, 2013
Revenues	**4**	**280,529**	**235,150**
Cost of sales	5	-137,646	-116,843
GROSS MARGIN		**142,883**	**118,308**
% of revenues		*50.9%*	*50.3%*
Research and development costs (*)	5	-39,353	-45,639
% of revenues		*14.0%*	*19.4%*
Sales and marketing costs	5	-46,629	-39,976
% of revenues		*16.6%*	*17.0%*
General costs	5	-14,253	-14,492
% of revenues		*5.1%*	*6.2%*
Production and quality	5	-10,865	-11,928
% of revenues		*3.9%*	*5.1%*
INCOME FROM ORDINARY OPERATIONS		**31,783**	**6,273**
% of revenues		*11.3%*	*2.7%*
Non-current operating expenses	6	-303	-198
EBIT		**31,481**	**6,075**
% of revenues		*11.2%*	*2.6%*
Income from cash and cash equivalents	7	1,523	1,344
Cost of gross financial debt	7	-874	-744
Cost of net financial debt	7	650	599
Other financial income and expenses	7	-993	-880
FINANCIAL INCOME		**-343**	**-280**
Share in income from equity affiliates (net of tax)	14	-356	-174
Tax	8	-6,473	-4,430
EARNINGS FOR THE PERIOD		24,310	**1,190,**
Group share		**24,534**	**1,557**
% of revenues		*8.7%*	*0.7%*
Non-controlling interest	**23**	**-224**	**-366**

(*) Including the research tax credit for 2,530 K€ (3,511 K€ in 2012).

K€ and number of shares	Note	Dec 31, 2012	Dec 31, 2013
Weighted average number of ordinary shares		**12,753,139**	**12,703,821**
Basic net earnings per share (€)	22	1.92	0.12
Weighted average number of ordinary shares (diluted)		**13,381,341**	**13,396,866**
Diluted net earnings per share (€)	22	1.83	0.12

20.1.3. Comprehensive income statement

€'000 / K€	Dec 31, 2012	Dec 31, 2013
Net income – Group share	**24,310**	**1,190**
Exchange gains or losses	-1,262	1,397
Change in value of derivative hedging instruments	-360	452
Change in actuarial gains or losses concerning employee benefits	-342	98
Taxes	185	270
Other comprehensive income items	**-1,779**	**-1,117**
- Subsequently recyclable to net income	-1,779	-1,117
Comprehensive income for the period	**22,531**	**74**
Attributable to owners of the parent	22,755	461
Attributable to non-controlling interests	-224	-387

20.1.4. Consolidated balance sheet

ASSETS, €'000 / K€	Note n°	Dec 31, 2012	Dec 31, 2013
Non-current assets		**82,407**	**85,779**
Goodwill	9	41,570	38,659
Other intangible assets	10	26,431	33,441
Property, plant and equipment	12	9,375	7,529
Interests in equity affiliates	14		1,748
Financial assets	13	2,819	2,360
Deferred tax assets	15	2,212	2,042
Current assets		**222,683**	**192,795**
Inventories	16	43,656	24,168
Trade receivables	17	50,909	39,206
Other receivables	18	21,899	31,305
Other current financial assets	19	33,107	42,671
Cash and cash equivalents	19	73,113	55,444
Total assets		**305,090**	**278,574**

SHAREHOLDERS' EQUITY AND LIABILITIES, €'000 / K€	Note n°	Dec 31, 2012	Dec 31, 2013
Shareholders' equity			
Share capital		1,953	1,929
Issue and contribution premiums	20	54,175	49,800
Reserves excluding earnings for the period		107,600	131,319
Earnings for the period		24,535	1,557
Exchange gains or losses		283	-1,092
Equity attributable to Parrot S.A. shareholders		**188,546**	**183,514**
Minority interests	**23**	**-224**	**-611**
Non-current liabilities		**38,609**	**30,355**
Non-current financial liabilities	21	18,688	11,854
Pension provisions and related commitments	24	1,574	1,697
Deferred tax liabilities	15	349	240
Other non-current provisions	25	1,486	1,642
Other non-current liabilities	27.2	16,512	14,922
Current liabilities		**78,159**	**65,315**
Current financial liabilities	21	6,329	7,595
Current provisions	26	9,752	8,339
Trade payables	27.1	43,424	32,746
Current tax liability	27.1	1,288	1,980
Other current liabilities	27.1	17,366	14,655
Total shareholders' equity and liabilities		**305,090**	**278,574**

20.1.5. Consolidated cash-flow statement

€'000 / K€	Dec 31, 2012	Dec 31, 2013
Operating cash flow		
Earnings for the period	24,310	1,190
Share in income from equity affiliates	356	174
Depreciation and amortization	6,595	9,728
Capital gains and losses on disposals	27	708
Tax charges	6,473	4,430
Cost of share-based payments	4,108	3,058
Cost of net financial debt	-650	-599
Cash flow from operations before cost of net financial debt and tax	**41,218**	**18,690**
Change in working capital	-18,095	10,605
Tax paid	-3,965	-5,682
CASH FROM OPERATING ACTIVITIES (A)	**19,158**	**23,614**
Investing cash flow		
Acquisition of tangible and intangible assets	-17,342	-15,905
Acquisition of subsidiaries, net of cash acquired	-894	
Acquisition of long-term financial investments	-2,085	-1,536
Disposal of tangible and intangible assets	-49	27
Disposal of long-term financial investments	26	40
CASH FLOW FROM INVESTMENT ACTIVITIES (b)	**-20,344**	**-17,375**
Financing cash flow		
Equity contributions (1)	1,243	286
Dividends paid		
Receipts linked to new loans		
Other financing		
Cash invested for over 3 months *	758	-9,565
Cost of net financial debt	650	599
Repayment of short-term financial debt (net)	-6,317	-6,352
Repayment of other debt		
Acquisition of treasury stock (2)	-5,609	-8,423
CASH FLOW FROM FINANCING ACTIVITIES (C)	**-9,275**	**23,455**
NET CHANGE IN CASH POSITION (D = A+B+C)	**-10,461**	**17,217**
Impact of change in exchange rates	44	1,633
CASH AND CASH EQUIVALENTS AT YEAR-START	83,530	73,113
CASH AND CASH EQUIVALENTS AT YEAR-END	**73,113**	**54,263**

(1) Capital increase through exercising of option.

(2) Treasury share buyback. Also see Note 20.3.

► **The net cash position can be broken down as follows:**

€'000 / K€	Dec 31, 2012	Dec 31, 2013
Cash and cash equivalents for the period	73,113	54,263
Other current financial assets	33,107	42,671
Cash, cash equivalents and other current financial assets at year-end	**106,219**	**96,934**

20.1.6. Change in consolidated shareholders' equity

€'000 / K€	Capital	Issue & contribut. premiums	Treasury stock	Reserves excluding earnings for the period	Earnings for the period	Shareholders' equity (Group share)	Capital
Position at end Dec. 2011	**1,966**	**57,463**	**-13,689**	**101,231**	**28,256**	**1,545**	**176,773**
Appropriation of earnings for N-1				28,256	-28,256		
Comprehensive income for the period					24,016	1,262	22,755
Change in capital	-13	-3,288	49	575			-2,677
Share-based payments				4,081			4,081
Securities buyback option				-12,385			-12,385
Position at end Dec. 2012	**1,954**	**54,175**	**-13,641**	**121,759**	**24,016**	**283**	**188,546**
Appropriation of earnings for N-1				25,278	-25,278		
Comprehensive income for the period					1,837	-1,376	461
Change in capital	-23	-4,375	1,377	-4,853			-7,874
Share-based payments				2,674			2,674
Securities buyback option				-294			-294
Position at end Dec. 2013	**1,930**	**49,800**	**-12,263**	**144,564**	**575**	**-1,093**	**183,514**

The change in capital during 2013 primarily reflects:

- A capital increase through the exercising of options and share warrants for 7 K€ with an issue premium of 279 K€.
- A capital decrease through the cancellation of treasury shares for 30 K€ with an issue premium of 4,654 K€ (cf. 20.2.20.1 "Share capital and issue premium").

The change in treasury stock during 2013 primarily reflects purchases of treasury stock (cf.20.2.20.3 "Treasury shares").

€'000 / K€	Capital	Issue & contribut. premiums	Treasury stock	Reserves excluding earnings for the period	Earnings for the period	Shareholders' equity (Group share)	Shareholders' equity – non-controlling interests
Position at end Dec. 2011							
Appropriation of earnings for N-1							
Comprehensive income for the period							
Change in capital					-224		-224
Share-based payments							
Securities buyback option							
Position at end Dec. 2012					-224		-224
Appropriation of earnings for N-1				-224	224		
Comprehensive income for the period					-366	-21	-387
Change in capital							
Share-based payments							
Securities buyback option							
Position at end Dec. 2013				**-224**	**-366**	**-21**	**-611**

20.2. Notes to the 2013 consolidated financial statements

20.2.1. Note 1 – The Company

The appended consolidated financial statements present the operations of Parrot S.A. and its subsidiaries (referred to collectively as "the Group"). Parrot S.A. is a French company whose securities are admitted for trading on Compartment B of the regulated market Euronext Paris. Its registered office is in Paris.

The financial statements for the year ended December 31, 2013 were approved by the Board of Directors on February 26, 2014. They will be submitted for approval at the General Meeting on June 4, 2014.

The financial statements are presented in euros. All the financial data are rounded off to the nearest K€.

20.2.2. Note 2 – Accounting methods and rules

The consolidated financial statements for 2013 have been drawn up in accordance with International Financial Reporting Standards (IFRS), as adopted within the European Union at December 31, 2013.

New standards and interpretations applicable from January 1, 2013 without any material impact on Parrot's consolidated accounts:

- IFRS 13 Fair Value Measurement;
- Amendment to IAS 1 Presentation of Items of Other Comprehensive Income;
- Amendments to IAS 19 Post-employment Benefits;
- Amendments to IAS 12 Deferred Taxes – Recovery of Underlying Assets.

The non-mandatory standards, amendments to standards and interpretations adopted by the IASB or the International Financial Reporting Interpretations Committee (IFRIC) and the European Union at December 31, 2013 have not been applied early and are not expected to have a material impact on the consolidated accounts. They concern:

- IFRS 10 Consolidation;
- IFRS 11 Partnerships;
- IFRS 12 Disclosure of Interests in Other Entities;
- IAS 27 (revised) Separate Financial Statements;
- IAS 28 (revised) Investments in Associates and Joint Ventures;
- IFRIC 21 Levies Charged by Public Authorities;
- Amendment to IAS 36 Impairment of Assets – Recoverable Amounts Disclosures for Non-Financial Assets;

The main accounting principles applied by the Group are as follows:

A) Consolidation methods

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

Parrot S.A. is deemed to have control when it owns more than half of the voting rights in the controlled company. The financial statements for controlled companies are included in the Group's consolidated financial statements as of the date on which control has effectively been transferred over, up until the date on which it ceases to have control.

The Group's consolidated companies drew up their financial statements at December 31, 2012 and 2013 in line with the accounting rules and methods applied by the Group. Transactions between consolidated companies, and any in-house profits are eliminated.

Affiliates are entities in which the company has a significant influence over their financial and operational policies, although without having control over them. Significant influence is presumed to exist when the Group holds between 20% and 50% of an entity's voting rights. Interests in affiliates are recognized in line with the equity method and initially recorded at cost.

The Group does not control any ad hoc entities.

B) Use of estimates

To draw up the financial statements, management is required to make judgments and use estimates and assumptions that have an impact on the amounts of assets and liabilities at the close of accounts, as well as on items for earnings over the period. These estimates factor in economic data which are liable to change over time, and include various random elements.

The underlying estimates and assumptions are based on past experience and other factors that are deemed to be reasonable in view of the circumstances, particularly with regard to the current economic and financial crisis. In this way, they serve as a basis for the judgments required in order to determine the book values of assets and liabilities, which may not be obtained directly from other sources. Actual values may be different from the estimated values.

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

They primarily concern the recognition of revenues on service delivery contracts, business combinations, the recognition of deferred tax assets, notably resulting from deferrable tax losses, value tests on current and non-current assets, the valuation of share-based payments, the valuation of financial instruments and current and non-current provisions.

C) Conversion methods

► Transactions denominated in foreign currencies

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

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

► Financial statements denominated in foreign currencies

The Group’s consolidated financial statements are presented in euros, the Group’s functional and presentation currency.

The assets and liabilities of consolidated companies expressed in foreign currencies are converted into euros based on the exchange rate in force on the closing date, except for the net position, which is recorded at its historical value. These companies’ income and expenses are converted into euros based on the average exchange rate for the period. Any exchange gains or losses on conversions are booked under conversion reserves as a separate shareholders’ equity component.

The conversion rates for the main currencies used within the Group over 2012 and 2013 were as follows:

Closing rate	Dec 31, 2012	Dec 31, 2013	Average rate	Dec 31, 2012	Dec 31, 2013
US Dollar	0.757900	0.7251	US Dollar	0.777800	0.7529
Hong Kong Dollar	0.097800	0.0935	Hong Kong Dollar	0.100300	0.0971
Pound Sterling	1.225300	1.1995	Pound Sterling	1.232900	1.1775
Chinese Yuan	0.121600	0.1198	Chinese Yuan	0.123300	0.1225
Japanese Yen	0.008800	0.0069	Japanese Yen	0.009700	0.0077
Swiss France	0.828400	0.8146	Swiss France	0.828600	0.8124
Australian Dollar	0.786700	0.6484	Australian Dollar	0.815200	0.7262

D) Income statement

In order to understand the specific characteristics of the Group's business more effectively, it presents an income statement for each function, highlighting the following elements: the cost of sales (costs linked directly to the products sold), research and development costs (including costs not recognized as assets on the balance sheet incurred during the year, as well as the depreciation of development costs recorded as assets on the balance sheet), commercial expenses, overheads and production and quality costs (operating costs for dedicated supply and quality management departments, primarily including wages for the staff concerned).

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

Non-current income and expenses, comprising 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 having been communicated on externally, 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.

In order to provide more comprehensive information, these operating expenses are broken down by kind in Note 5 “Operating expenses by type” in these notes.

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

- The cost of net financial debt, including interest on financial debt calculated based on the effective interest rate, less income from cash and cash equivalents,
- Other financial income and expenses, which include exchange gains and losses,
- The current and deferred tax expense.

E) Earnings per share

The information presented is calculated in line with the following principles:

- Basic earnings per share: earnings for the period (Group share) are considered in relation to the weighted average number of ordinary shares outstanding over the period, after deducting treasury stock held during the period. The average number of ordinary shares outstanding represents a weighted annual average, adjusted for the number of ordinary shares redeemed or issued during the period and calculated based on the issue date for shares over the year;
- Diluted earnings per share: earnings for the period (Group share) and the weighted average number of shares outstanding, factored in when calculating basic earnings per share, are adjusted for the effects of all potentially dilutive ordinary shares: share warrants (Note 20.2 Share warrant and company founder equity warrant schemes) and bonus shares.

F) Revenues

Income from the sale of goods is recorded on the income statement when the significant benefits and risks inherent in ownership of the goods have been transferred to the buyer.

Income from the provision of services is recorded on the income statement based on the level of progress made with the service on the closing date.

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

Revenues generated with specialized distributors are recognized net of any referencing or volume-based discounts. The amount of any referencing or volume-based discounts granted is recorded on the shipment date for goods based on past experience and the contractual conditions in force.

G) Operating lease payments

Payments for operating leases are booked as expenses on a linear basis over the term of the lease in question.

The benefits received represent an integral part of the net total for lease charges and are booked under income in line with the same rule.

H) Cost of net financial debt

The cost of net financial debt includes interest to be paid on loans (calculated based on the effective interest rate method), less interest to be received on investments and income from other dividends.

Interest-related income is recorded on the income statement when acquired under the effective interest rate method.

Income from dividends is recorded on the income statement as soon as the Group becomes entitled to receive the payments in question.

I) Corporate income tax

Corporate income tax (expense or income) comprises the tax expense (income) due and any deferred tax expenses (income). Tax is recorded on the income statement if it concerns items that are booked directly against shareholders' equity; in which case, it is booked against shareholders' equity.

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

For deferred tax, see section N of the present note.

The tax on business added value (CVAE) is recorded under corporate income tax. The research tax credit is deducted against research and development costs or from the development cost assets recognized.

J) Segment reporting

In accordance with IFRS8, the information is based on the internal reporting system used by the Chief Operating Decision Maker, Henri Seydoux, the Group's Chairman and CEO, to decide on the allocation of resources and assess the performance of the operating segments.

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

There are four operating segments: Automotive, Consumer Electronics, Drones and Other. The “Other” segment includes the entity Varioptic.

K) Intangible assets

- **Goodwill**

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

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

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

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

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

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

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

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

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

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

- **Research and development costs**

Research costs are recorded as expenses when they are incurred.

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

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

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

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

► **Other intangible assets**

Patents, trademarks, customer contracts and fully-owned software and user rights are capitalized and depreciated over their useful life. The useful life range is from 1 to 10 years.

L) Property, plant and equipment

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

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

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

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

- Fixtures and fittings 3 to10 years
- Technical facilities 10 years
- Plant and equipment 3 years
- Office equipment and IT 3 years
- Transport equipment 3 years

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

Capital gains or losses stem from differences between the sales price and the net book value of assets sold off.

M) Depreciation of tangible and intangible assets

The book value of tangible and intangible assets is tested if there are any signs of impairment in value on the reporting date, and at least once a year for goodwill and other intangible assets with an indefinite lifespan, in addition to fixed assets under development.

The value test is based on determining the recoverable value of each unit generating its own cash (cash generating unit, CGU). These units correspond to activities generating cash inflows that are largely independent from cash inflows generated by other assets or groups of assets.

In accordance with the principles of IAS 36, the reorganization of the internal reporting structure must be combined with a review of the cash generating units (CGUs) and the potential reallocation of goodwill to the CGUs.

In view of the reorganization of the internal reporting system around the four operating segments, the four CGUs identified at December 31, 2013 were as follows:

- Automotive
- Consumer
- Drones
- Varioptic

The recoverable value of a cash generating unit represents the higher of its fair value less costs of sale and its going concern value. The going concern value of each cash generating unit is determined in line with the net discounted cash-flow method, based on parameters resulting from the budgetary and forecasting process, spread over a five-year period, including rates of growth and profitability that are deemed to be reasonable.

The long-term growth rate for beyond the five-year period is assessed based on analyses of the sector in which the Group operates, for each unit in question.

Discounting is applied at a rate corresponding to the average cost of capital on the valuation date plus a risk premium based on the unit in question.

When the recoverable value of a cash generating unit is lower than its net book value, the corresponding impairment in value is allocated in priority to goodwill, then to reducing the unit’s other assets on a pro rata basis in line with the book value of each one of the unit’s assets, and recognized under EBIT.

With regard to development costs, an impairment is recognized if one of the conditions indicated in Section K2) is no longer met. This impairment is determined based on a comparison between the asset's book value and the expected economic benefits relating to the asset in question.

Any impairments in value recorded on goodwill cannot be written back.

N) Deferred tax

Deferred taxes are recorded on the income statement and on the balance sheet in order to factor in any timing differences between the book values and the tax values of certain assets and liabilities.

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

Deferred taxes are recorded respectively on the income statement or under shareholders' equity during the year depending on whether they concern items that are themselves booked on the income statement or under shareholders' equity.

Deferred tax assets are recorded once it is likely that taxable profits will be generated, making it possible for any deferred tax assets to be used. The book value of deferred tax assets is reviewed at each close of accounts, and may be reduced if it is no longer likely that sufficient taxable profits will be available to make it possible to use the benefit of all or part of such deferred tax assets. Conversely, such a reduction will be written back if it becomes likely that sufficient taxable profits will be available.

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

O) Inventories

The cost of inventories is determined in line with the weighted average price method, and comprises the acquisition costs for inventories and the costs incurred for transporting them in the state and to the place where they are located.

Inventories are valued at the lower of their cost or their net realizable value. The net realizable value represents the estimated sales price during the normal course of business, less the estimated costs for completion and the estimated costs required for making the sale.

P) Non-derivative financial instruments

► P1) Trade and other receivables

Trade and other receivables are valued at their fair value when initially recorded in the accounts, and then at their amortized cost less the amount of any impairments in value, a provision for impairment is recognized when there is objective evidence that part of the sums due will not be recovered in accordance with the contractual arrangements.

► P2) Trade and other payables

All such accounts payable are initially recorded at their fair value, and then at their amortized cost.

Following their initial recording, the Parrot Group values all financial liabilities other than those held for trading at their amortized cost.

► P3) Cash and cash equivalents

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

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

► P4) Cash-flow hedging and rate hedging

The Group uses financial derivatives to hedge its exposure to the interest rate risks resulting from its financial activities for investments. The financial instruments are initially measured at fair value, i.e. the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. With the exception of the hedging cases outlined above, changes in the fair value of derivatives are recognized under financial income and expenses on the balance sheet date.

The fair value of interest rate swaps is the estimated amount which the Group would receive or pay to terminate the swap on the closing date, factoring in the current level of interest rates and the credit risk for the swap's counterparties.

- **P5) Share buyback commitments**

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

Q) Other current financial assets

Financial instruments classed as other current financial assets are recorded in accordance with IAS 39 based on the categories which they correspond to. Any unrealized profit or loss resulting from them is recognized either directly through profit and loss, or temporarily through equity until the financial instrument is divested.

Investments that are not consistent with the IAS 7 definition are classed as other current financial assets.

Borrowings accruing interest are initially measured at fair value after deducting the amounts of any transaction costs attributable. Following the initial recognition, they are measured at their amortized cost; the difference between the cost and the repayment value is recognized through profit and loss over the duration of the borrowings.

R) Net cash

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

S) Treasury stock

When Company securities are held by the Company itself or by consolidated entities, they are deducted against consolidated shareholders' equity based on their acquisition cost. Conversely, income from any sale of treasury stock is recorded directly under shareholders' equity for the impact net of tax. As a result, the capital gain or loss recorded in this way does not affect earnings for the year.

T) Share-based payments

Stock warrants may be granted to a certain number of the Group's staff, entitling them to subscribe for Parrot S.A. shares over a four or five-year period at a fixed exercise price, set at the time they are awarded. Bonus shares may also be awarded to the Group's staff.

Warrants and bonus shares are valued based on the fair value of the benefits granted to staff on the allocation date. They are recognized under staff costs on the income statement over the vesting period, booked against shareholders' equity. In connection with the function-based presentation of the income statement, the corresponding staff costs are broken down based on the functions of the employees concerned.

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

New bonus share plans were set up for the Group's staff in 2013 combined with presence conditions, set at three years, and market performance conditions.

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

U) Employee benefits

- **Pension scheme**

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

Defined contribution systems are subject to payments by staff and by Group companies to various organizations authorized to manage such pension funds. The Group's obligations are limited to the payment of such contributions, which are therefore recorded on the income statement as they are incurred.

The Group is also subject to various defined benefit systems, notably for end-of-career benefits paid to staff.

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

- **Long-term benefits**

The Group's net obligation for long-term benefits other than pension schemes is equal to the value of the future benefits acquired by staff in return for services rendered during the present and subsequent periods. The amount of the obligation is determined using the projected credit unit method. The discount rate is equal to the rate on the closing date based on obligations under the first category for which the due dates are close to those for the Group's commitments.

V) Provisions

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

- **Warranty provisions**

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

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

- **Other warranty provisions**

A provision for supplier commitments is recorded and intended to cover the risk of any loss in value of products ordered from suppliers as a result of sales prospects.

A provision for commercial risks is recognized and aims to cover the risk when the Group has an obligation relating to claims arising from previous events that are pending and it is likely that an outflow of funds representative of economic benefits will be necessary in order to extinguish this obligation and this amount can be estimated reliably.

- **Employment tribunal provisions**

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

20.2.3. Note 3 – Basis for consolidation

The Parrot Group’s basis for consolidation includes 12 fully-consolidated companies, 10 fully-owned companies, one 60.4%-owned company, and one 31.0%-owned company (consolidated on an equity basis) at December 31, 2013, with the full list and consolidation methods presented below:

Name	Address	Country	Parrot S.A. stake	Consolidation method
PARENT COMPANY				
Parrot S.A.	174 quai de Jemmapes 75010 Paris	France		
CONSOLIDATED SUBSIDIARIES				
Chez Parrot S.A.R.L.	30-34 rue du Quatre Septembre	France	100%	Fully consolidated
Parrot Iberia S.L.	Calle Ulises 108 28043 Madrid	Spain	100%	Fully consolidated
Parrot Inc.	3000 Town Center STE 2340 Southfield, MI 48075	USA	100%	Fully consolidated
Parrot Italia Srl.	Via Lattanzio 23 20123 Milan	Italy	100%	Fully consolidated
Parrot GmbH.	Leopoldstrasse 254 80807 München	Germany	100%	Fully consolidated
Parrot UK Ltd	Unit 1, 20 Avenue Road, Aston Birmingham B6 4DY	UK	100%	Fully consolidated
Parrot Asia Pacific Ltd	Suite 930, 9/F Ocean Drive, 5 Canton Road, Tsimshatsui, Kowloon	Hong Kong	100%	Fully consolidated
Parrot Shenzhen (subsidiary of Parrot Asia Pacific Ltd)	Room 1501-1503, Centres Commerce Building, 88 Fuhua Yi Road, Futian Centers District, Shenzhen	China	100%	Fully consolidated
Parrot Japan KK	PMC Building 1-23-5 Higashi-Azabu, Minato-ku, Tokyo	Japan	100%	Fully consolidated
Parrot Anz Ltd	68 72 York street South Melbourne Victoria 3205	Australia	100%	Fully consolidated
senseFly	11, ch. de la Venoge 1024 Ecublens	Switzerland	60.4%	Fully consolidated
Pix4D	EPFL Innovation Park Building D, 1015 Lausanne	Switzerland	31.0%	Equity basis

The Pix4D subsidiary acquired on September 2012 has been consolidated since January 1, 2013 applying the equity investment method (at December 31, 2012, the shares were classed as “Other Financial Assets”.

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

At the end of 2012, the scope consisted of Parrot SA and 11 subsidiaries.

Name	Address	Country	Parrot S.A. stake	Consolidation method
PARENT COMPANY				
Parrot S.A.	174 quai de Jemmapes 75010 Paris	France		
CONSOLIDATED SUBSIDIARIES				
Chez Parrot S.A.R.L.	30-34 rue du Quatre Septembre	France	100%	Fully consolidated
Parrot Iberia S.L.	Augustin Duran 24 28028 Madrid	Spain	100%	Fully consolidated
Parrot Inc.	28446 Franklin Road Southfield, MI 48034	USA	100%	Fully consolidated
Parrot Italia Srl.	Via Lattanzio 23 20123 Milan	Italy	100%	Fully consolidated
Parrot GmbH.	Leopoldstrasse 254 80807 München	Germany	100%	Fully consolidated

Parrot UK Ltd	Unit 1, 20 Avenue Road, Aston Birmingham B6 4DY	UK	100%	Fully consolidated
Parrot Asia Pacific Ltd	Suite 916, 9/F Star House, 3 Salisbury Road, T.S.T. Hong Kong	Hong Kong	100%	Fully consolidated
Parrot Shenzhen (subsidiary of Parrot Asia Pacific Ltd)	Room 1501-1503, Centres Commerce Building, 88 Fuhua Yi Road, Futian Centers District, Shenzhen	China	100%	Fully consolidated
Parrot Japan KK	PMC Building 1-23-5 Higashi-Azabu, Minato-ku, Tokyo	Japan	100%	Fully consolidated
Parrot Anz Ltd	68 72 York street South Melbourne Victoria 3205	Australia	100%	Fully consolidated
senseFly	11, ch. de la Venoge 1024 Ecublens	Switzerland	60.4%	Fully consolidated

The subsidiaries Chez Parrot and Parrot Anz Ltd Limited were incorporated during 2012. The Dafact subsidiary, acquired on December 22nd, 2009, consolidated since the first halh of 2010 with the equity method was taken out of the consolidation scope as of December 31st, 2012 following a partial sale. The 20 % remaining ownership is incorporated in the balance sheet under other financial assets. The senseFly subsidiary acquired on July 23rd 2012 is fully consolidated since the second half of 2012.

20.2.4. Note 4 – Segment reporting

Significant changes were made to the Group's operational organization in 2013.

In view of market and technological developments, the Group decided, during the Board of Directors' meeting on November 14, 2013, to put in place a new reporting framework based around each business unit, monitoring revenues and income from ordinary operations as their aggregates, in order to:

- Provide better strategic visibility over three years
- Obtain the profitability for each BU in view of the different challenges and economic cycles

Parrot's business is now organized around four operating segments.

- Automotive: grouping together the car kit product line and the recent infotainment product line
- Consumer Electronics: grouping together the Plug & Play, audio and other multimedia product lines
- Drones: grouping together the Parrot Drone and Commercial Drone (resulting from the acquisition of senseFly and Pix4D) product lines
- Other: comprising Varioptic, the specialized optics company

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

The only information available for 2012 as a year for comparison is the revenues generated for each segment.

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

► Breakdown of Group sales by region

€'000 / K€	Dec 31, 2012	Dec 31, 2013
EMEA	90,505	77,172
USA	27,079	25,267
Asia	14,501	17,484
Retail products	**132,086**	**119,924**
Key Account products (1)	**148,443**	**115,227**
Total revenues	**280,529**	**235,150**

(1) Key account products include the key account automotive products of Parrot and the former-DiBcom, Varioptic and senseFly

► **Income statement**

€'000 / K€	Automotive	Consumer Electronics	Drones	Other	Total 2013
Revenues	162,555	29,507	42,062	1,026	235,150
Income from ordinary operations	14,323	-5,820	155	-2,384	6,273

The segment information for the "Other" segment includes the financial information for Varioptic.

► **Statement of financial position**

€'000 / K€	Automotive	Consumer Electronics	Drones	Other	Not allocated	Total 2013
Non-current assets	**64,887**	**4,727**	**11,812**	**1,204**	**3,149**	**85,779**
Goodwill	35,994		2,031	634		38,659
Other intangible assets	23,688	3,532	5,683	537		33,441
Property, plant and equipment	5,205	945	1,347	33		7,529
Investments in associates			1,748			1,748
Financial assets		250	1,003		1,107	2,360
Deferred tax assets					2,042	2,042
Current assets	**65,450**	**11,881**	**16,936**	**413**	**98,115**	**192,795**
Inventories	16,707	3,033	4,323	105		24,168
Trade receivables	27,102	4,920	7,013	171		39,206
Other receivables	21,641	3,928	5,600	137		31,305
Other current financial assets					42,671	42,671
Cash and cash equivalents					55,444	55,444
Non-current liabilities					**30,355**	**30,355**
Non-current financial liabilities					11,854	11,854
Prov. for pensions and related commitments					1,697	1,697
Deferred tax liabilities					240	240
Other non-current provisions					1,642	1,642
Other non-current liabilities					14,922	14,922
Current liabilities	**32,768**	**5,948**	**8,479**	**207**	**17,914**	**65,316**
Current financial liabilities					7,595	7,595
Current provisions					8,339	8,339
Trade payables	22,637	4,109	5,857	143		32,746
Current tax liabilities					1,980	1,980
Other current liabilities	10,131	1,839	2,621	64		14,655

The top 10 customers represented around 34.0% of the Group's consolidated revenues in 2013, compared with 41.3% in 2012.

► **Workforce**

€'000 / K€	Automotive	Consumer	Drones	Other	Not allocated	Total 2013
Headcount	571	105	144	25	0	**845**

20.2.5. Note 5 – Breakdown of operating expenses

► **Expenses by kind**

€'000 / K€	Dec 31, 2012	Dec 31, 2013
Consumption of raw materials and goods, and outsourcing purchases	-116,414	-112,601
Other external expenses	-68,554	-43,201
Staff costs	-54,171	-55,904
Tax	-2,509	-2,387

Depreciation and amortization	-6,740	-7,560
Stored production	2,767	-2,231
Other operating income and expenses	-3,124	-4,994
Total operating expenses	**-248,746**	**-228,877**

The non-capitalized portion of the Research Tax Credit (CIR) of 2.5 M€ (3.5 M€ in 2012) and the 0.4 M€ French tax credit to promote competitiveness and employment (CICE) are deducted from operating expenses.

- **Staff costs**

€'000 / K€	Dec 31, 2012	Dec 31, 2013
Salaries and wages	-37,925	-36,228
Payroll taxes	-9,800	-16,003
Employee profit sharing	-2,363	-616
Share warrant expenses	-4,083	-3,058
Total staff costs	**-54,171**	**-55,904**

20.2.6. Note 6 – Non-recurring operating expenses

€'000 / K€	Dec 31, 2012	Dec 31, 2013
Acquisition fees	-303	
Restructuring provision for Varioptic		-198
Total staff costs	**-303**	**-198**

The impairment concerning Varioptic at December 31, 2013 can be broken down as follows:

- Reduction in Varioptic's earnout payable in 2015 by 2,265 K€. The fair value of the liability after this adjustment is 729 K€;
- Recognition of a -2,800 K€ goodwill impairment for the Varioptic CGU;
- Reversal of the cost for the payment of bonus shares with performance conditions awarded in 2011 to Varioptic's executives for 339 K€.

Acquisition fees in 2012 mainly relate to the acquisition of senseFly and the participation taken in Pix4D.

20.2.7. Note 7 – Net financial results

€'000 / K€	Dec 31, 2012	Dec 31, 2013
Cost of gross financial debt	-874	-744
Income from investments	1,612	1,344
Other	-88	
Cost of net financial debt	**650**	**599**
Exchange gains	5,236	3,407
Exchange losses	-6,228	-4,275
Other		-12
Other financial income and expenses	-993	-880
Total	**-343**	**-280**

20.2.8. Note 8 – Tax

- **Tax expense**

€'000 / K€	Dec 31, 2012	Dec 31, 2013
Current tax	-4,015	-4,600
Deferred tax	-2,457	169
Total	**-6,473**	**-4,430**

The current tax expense for 2013 primarily includes the 15% tax, the Hong Kong withholding tax and the French CVAE tax on business value added.

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

€'000 / K€	Dec 31, 2012	Dec 31, 2013
Earnings for the period	24,310	1,190
Minority interests		
Net income from equity affiliates		-174
Tax charges	6,473	4,430
Of which, CVAE	1,103	661
Pre-tax earnings	**30,782**	**5,795**
Actual tax rate	***13.03%***	***79.38%***
Theoretical tax expense 34.40%	**10,589**	**1,995**
Reconciliation:		
Permanent differences	588	194
Reduced tax operations	-2,974	-759
Tax rate difference	-1,308	-1,345
Non-capitalized tax losses	29	635
Capitalized tax losses (1)		3,270
Activation of prior deferred tax	-900	
Research tax credit	-2,304	-1,660
Additional contributions(1)	2,753	2,099
Actual tax expense	**6,473**	**4,430**

(1) Considering the overall tax position, the decision has been taken to neutralize the effects of deferred taxes on the consolidation restatements by recognizing the same amounts of deferred tax assets.

20.2.9. Note 9 – Goodwill

► **Breakdown of goodwill in 2013**

€'000 / K€	Dec 31, 2012	Increase	Decrease	Change in scope	Exchange losses and reclassification	Dec 31, 2013
Gross value						
Automotive CGU	36,105				-111	35,994
Drones CGU	2,031					2,031
Other CGU	3,434					3,434
Total	**41,570**				**-111**	**41,459**
Impairments						
Automotive CGU						
Drones CGU						
Other CGU		-2,800				-2,800
Total		**-2,800**				**-2,800**
Net book values						
Automotive CGU	36,105				-111	35,994
Drones CGU	2,031					2,031
Other CGU	3,434	-2,800				634
Total	**41,570**	**-2,800**			**-111**	**38,659**

The Group organizes its activities and reporting structure around four operating segments, representative of its cash generating units (CGUs). The operating segments represent the level at which goodwill is monitored by the Group's management. Considering the significant changes to the Group's operational organization, as described in Note 4, the Group now identifies the following CGUs:

- Automotive
- Consumer
- Drones
- Varioptic

The goodwill resulting from the acquisitions of Inpro (18,546 K€), Waveblue (2,562 K€) and DiBcom (14,997 K€), representing a combined total of 36,105 K€, is now tested in relation to the Automotive CGU (the business of the entities acquired primarily concerned handsfree kits at the time of their acquisition).

senseFly's acquisition has led to goodwill being recorded for senseFly. Considering the process underway for the two technological platforms of Parrot and senseFly to converge within the Drones CGU, all the goodwill for senseFly is allocated to this CGU and tested at this same level.

Varioptic's acquisition has led to goodwill being recorded for Varioptic. This goodwill is allocated to the Other CGU and tested at this same level.

▶ **Breakdown of goodwill in 2012**

€'000 / K€	Dec 31, 2011	Increase	Decrease	Change in scope	Exchange losses and reclassification	Dec 31, 2012
Key Accounts DiBcom CGU	19,121	-	-4,124	-	-	14,997
Retail EMEA CGU	18,546	-	-	-	-	18,546
Retail America CGU	2,613	-	-	-	-51	2,562
Key Accounts Varioptic CGU	4,464	-	-1,030	-	-	3,434
Key Accounts senseFly CGU	-	-	-	2,031	-	2,031
Total	**44,744**	**-**	**-5,154**	**2,031**	**-51**	**41,570**

The Group carries out value tests annually or when any evidence of impairments arises.

In accordance with the principles described in Note M, the cash flow beyond the five-year period is extrapolated with an estimated perpetuity growth rate of 1%.

▶ **Assumptions for discounting these flows for each CGU in 2013**

	Automotive	Drones	Varioptic
Discount rate	**13%**	**13%**	**13%**

▶ **Assumptions for discounting these flows for each CGU in 2012**

At December 31, 2012, the cash flow beyond the five-year period had been extrapolated with an estimated perpetuity growth rate of 1% and discounted based on the following assumptions for each country:

	Retail America	Retail EMEA	Group Key Accounts, OEM and DiBcom CGU
Discount rate	**12.5%**	**13%**	**13%**

As a result of these tests, the Group recognized an impairment in 2013 for the Varioptic CGU, currently comprising goodwill from the acquisition of Varioptic for 2,800 K€.

An analysis of the sensitivity of the calculation to a combined variation in key parameters (revenue growth rate and gross margin rate) based on reasonably possible assumptions (1% reduction in revenues and 1% reduction in the gross margin) does not reveal any probable scenario in which the recoverable values would fall below their book values.

20.2.10. Note 10 – Intangible assets

▶ **Breakdown of intangible assets in 2013**

€'000 / K€	Dec 31, 2012	Increase	Decrease	Changes in scope	Exchange gains or losses	Dec 31, 2013
Gross values						
R&D costs	33,562	11,580				45,141
Patents and brands	18,230	-63	-2,262		-34	15,872
Software	2,167	638	-214		175	2,766
Fixed assets under construction	151	203			-151	203
Other intangible assets	8					8

Total	**54,118**	**12,357**	**-2,475**		**-11**	**63,989**
Depreciation and amortization						
R&D costs	-17,412	-2,924				-20,336
Patents and brands	-8,418	-1,949	2,261		38	-8,067
Software	-1,857	-481	214		-20	-2,145
Fixed assets under construction						
Other intangible assets						
Total	**-27,687**	**-5,354**	**2,475**		**18**	**-30,548**
Net book values						
R&D costs	16,150	8,656				24,805
Patents and brands	9,812	-2,012			4	7,805
Software	310	157			154	621
Fixed assets under construction	151	203			-151	203
Other intangible assets	8					8
Total	**26,430**	**7,004**			**7**	**33,441**

► **Breakdown of intangible assets in 2012**

€'000 / K€	Dec 31, 2011	Increase	Decrease	Changes in scope	Exchange gains or losses	Dec 31, 2012
Gross values						
R&D costs	24,589	8,973				33,562
Patents and brands	15,952	1,614		669	-5	18,230
Software	1,736	435	-4			2,167
Fixed assets under construction	285	151	-285			151
Other intangible assets	8					8
Total	**42,569**	**11,174**	**-289**	**669**	**-5**	**54,118**
Depreciation and amortization						
R&D costs	-15,801	-1,611				-17,412
Patents and brands	-6,299	-2,124			5	-8,418
Software	-1,560	-301			4	-1,857
Fixed assets under construction						
Other intangible assets						
Total	**-23,660**	**-4,036**			**9**	**-27,687**
Net book values						
R&D costs	8,787	7,362				16,150
Patents and brands	9,653	-510		669		9,812
Software	176	134	-4		4	310
Fixed assets under construction	285	151	-285			151
Other intangible assets	8					8
Total	**18,909**	**7,137**	**-289**	**669**	**4**	**26,430**

Depreciation charges are recorded under operating expenses. The change in scope corresponds to the fair value measurement of the technology developed by senseFly.

20.2.11. Note 11 – Business combination

► **Acquisition of senseFly**

The 2,031 K€ in goodwill on the acquisition of senseFly, following the allocation of 669 K€ to the technology, carried out on a provisional basis at December 31, 2012, was not subject to any changes during 2013. Its allocation is definitive at December 31, 2013.

► **Acquisition of Pix4D**

On September 18, 2012, Parrot acquired a 31.0% stake in Pix4D for 1,946 K€. Pix4D is specialized in 3D digital mapping, with recognized expertise in low-altitude aerial image processing.

The fair value of Pix4D can be broken down as follows:

€'000 / K€	Dec 31, 2013
Intangible assets [(1)]	4,566
Property, plant and equipment	17
Current assets	36
Cash [(2)]	1,937
Current liabilities	-258
Total identifiable assets and liabilities	**6,297**
Share of net assets acquired (31%)	**1,946**

(1) Intangible assets correspond to the technology developed by Pix4D, whose fair value has been estimated at 4,566 K€. The estimated depreciation period is five years.
(2) The cash acquired includes a total of 1.7 M€ corresponding to Parrot's subscription for the capital increase carried out by Pix4D.

The costs linked directly to the acquisition of Pix4D were recognized in 2012 (year of acquisition) under other non-current operating income and expenses for a total of 0.1 M€.

Pix4D has been consolidated since January 1, 2013 on an equity basis.

As the acquisition was made late in the year, and financial information was not available, the company was not consolidated at December 31, 2012, with the securities recognized under other financial assets.

20.2.12. Note 12 – Property, plant and equipment

► Breakdown of property, plant and equipment in 2013

€'000 / K€	Dec 31, 2012	Increase	Decrease	Changes in scope	Exchange gains or losses	Dec 31, 2013
Gross values						
Buildings	27		-13		-12	2
Plant and equipment	17,704	1,683	-8,671		5,328	16,045
Other property, plant and equipment	15,848	2,049	-1,661		-5,527	10,708
Total	**33,579**	**3,733**	**-10,345**		**-212**	**26,755**
Amortization						
Buildings	-16		15		1	
Plant and equipment	-15,660	-2,914	8,001		-2,481	-13,053
Other property, plant and equipment	-8,528	-1,868	1,621		2,602	-6,173
Total	**-24,203**	**-4,782**	**9,637**		**122**	**-19,227**
Net book values						
Buildings	12		2		-11	1
Plant and equipment	2,044	-1,230	-670		2,847	2,992
Other property, plant and equipment	7,320	181	-40		-2,926	4,535
Total	**9,376**	**-1,049**	**-708**		**-90**	**7,528**

► Breakdown of property, plant and equipment in 2012

€'000 / K€	Dec 31, 2011	Increase	Decrease	Changes in scope	Exchange gains or losses	Dec 31, 2012
Gross values						
Buildings	14	14				27
Plant and equipment	15,927	1,837	-88	26	2	17,704
Other property, plant and equipment	11,875	5,077	-1,457	55	210	15,848
Total	**27,815**	**6,928**	**-1,457**	**80**	**212**	**33,579**

Amortization						
Buildings	-1	-15				-16
Plant and equipment	-13,606	-2,038		-13	-2	-15,660
Other property, plant and equipment	-6,546	-3,262	1,258	-31	55	-8,528
Total	**-20,154**	**-5,315**	**1,258**	**-45**	**53**	**-24,203**
Net book values						
Buildings	13	-1				12
Plant and equipment	2,320	-201	-88	12	1	2,044
Other property, plant and equipment	5,329	1,814	-112	24	265	7,320
Total	**7,662**	**1,613**	**-200**	**36**	**265**	**9,378**

20.2.13. Note 13 – Financial assets

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

€'000 / K€	Dec 31, 2012	Increase	Decrease	Changes in scope	Reclassifi-cation	Dec 31, 2013
Gross values						
Security deposits	873	279	-40		-10	1,102
Other long-term financial investments	2,441	1,257			-1,946	1,753
Total	**3,315**	**1,536**	**-40**		**-1,956**	**2,855**
Depreciations						
Depreciation of other long-term financial investments	-495					-496
Total	**-495**					**-496**
Net book values						
Security deposits	873	279	-40		-10	1,102
Other long-term financial investments	1,946	1,257			-1,946	1,257
Total	**2,819**	**1,536**	**-40**		**-1,956**	**2,360**

In 2013, Parrot S.A. acquired:

- A 1.6% interest in NETATMO for 250 K€ on May 22, 2013: this company produces and sells connected devices;
- A 9.94% interest in DELAIR-TECH for 1,003 K€ on October 24, 2013: this company produces and sells aerial observation solutions using long-endurance drones for industrial and agricultural sectors.

The 31% stake in Pix4D, the company specialized in aerial mapping, recorded under other financial assets for a total of 1.8 M€ in 2012, was consolidated on an equity basis in 2013 (cf. Note 14).

Parrot S.A.'s 20% interest in the company Da Fact, recorded under other financial assets, has been depreciated in full since 2012.

20.2.14. Note 14 – Equity affiliate

The company Pix4D has been consolidated on an equity basis since January 1, 2013.

Pix4D recorded 2,297 K€ in earnings and 336 K€ in revenues for 2013.

After recognizing the depreciation over five years, i.e. -897 K€, for the technology allocated at the time of the acquisition (cf. Note 11), the share of earnings attributable to the Group comes to -173 K€.

20.2.15. Note 15 – Deferred tax

The deferred tax results primarily from Parrot S.A.

► Change in deferred tax assets

€'000 / K€	Dec 31, 2012	Dec 31, 2013
At January 1	1,742	2,212
Income (expense) for the year	-451	-96
Impact on reserves	5,739	-74
Other changes (1)	-4,819	
At December 31	**2,212**	**2,042**

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

► Change in deferred tax liabilities

€'000 / K€	Dec 31, 2012	Dec 31, 2013
At January 1	2,881	349
Income (expense) for the year	2,007	-265
Impact on reserves	278	156
Other changes (1)	-4,817	
At December 31	**349**	**240**

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

► Detailed breakdown of deferred tax assets and liabilities by kind

€'000 / K€	Assets		Liabilities		Net	
	2012	2013	2012	2013	2012	2013
Intangible assets			2,589	2,175	-2 589	-2,175
Inventories	696	1,042			696	1,042
Capitalization of development costs			5,365	8,187	-5 365	-8,187
Capitalization of loss carryforwards	9,512	11,981			9 512	11,981
Short-term financial debt						
Other current financial liabilities			1,073	1,074	-1 073	-1 074
Other assets	175	19			175	19
Provisions:	1,744	1,592	1,276	1,159	468	434
Of which, pensions	*514*	*540*			*514*	*540*
Of which, other social provisions	*508*	*565*			*508*	*565*
Of which, depreciation of subsidiary receivables			*1,276*	*1,159*	*-1 276*	*-1,159*
Of which, other provisions	*721*	*487*			*721*	*487*
Other liabilities			-39	241	39	-241
Net deferred tax assets (liabilities)	**12,127**	**14,634**	**10,264**	**7 940**	**1 863**	**-1,799**
Deferred tax assets on the Bal. S				Offset -->	2,212	2,042
Deferred tax liabilities on the Bal S.				Offset -->	-349	-240

For Parrot S.A., the outstanding balance for non-capitalized losses represents a total of 45.6 M€.

20.2.16. Note 16 – Inventories

€'000 / K€	Dec 31, 2012	Change	Changes in scope	Exchange gains or losses	Dec 31, 2013
Gross values					
Raw materials and goods	32,303	-18,945		1,342	25,988
Intermediate and finished goods	20,519	-2,231		-1,859	5,145
Total	**52,824**	**-21,214**		**-477**	**31,132**
Depreciation					
Raw materials, intermediate and finished goods(1)	-9,167	2,115		89	-6,964
Total	**-9,167**	**2,115**		**89**	**-6,964**
Total net book values	**43,657**	**-19,099**		**-388**	**24,169**

20.2.17. Note 17 – Trade receivables

Trade receivables can be broken down as follows:

€'000 / K€	Dec 31, 2012	Dec 31, 2013
Trade receivables	52,350	41,507
Depreciation of trade receivables	-1,441	-2,301
Total	**50,909**	**39,206**

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

20.2.18. Note 18 – Other receivables

€'000 / K€	Dec 31, 2012	Dec 31, 2013
VAT receivables	3,048	4,403
Tax receivables	15,378	21,568
Prepaid expenses	1,385	2,245
Sundry debtors	1,354	2,787
Advances and deposits paid	652	198
Social security receivables	80	105
Total	**21,899**	**31,305**

Tax receivables relate to the Research Tax Credit. The VAT receivables relate to VAT that may be deducted on purchases, primarily in France.

20.2.19. Note 19 – Net cash

At December 31, 2013, cash, cash equivalents and other current financial assets came to 98,115 K€, including 42,671 K€ of other current financial assets, down 8,105 K€ compared with the previous year's closing position.

Cash equivalents primarily comprise risk-free investments, such as tradable certificates of deposit and term deposits maturing within a maximum of three months.

Other current financial assets (with guaranteed capital) consist of three certificates of deposit maturing in just over six months for 17 M€, three progressive term accounts for a total of 15 M€ maturing in the first half of 2015 and March 2018, and a medium-term note program (BMTN) maturing in March 2015 for 10 M€.

20.2.20. Note 20 – Shareholders' equity

20.2.20.1. Share capital and issue premium

At December 31, 2013, the capital comprised 12,655,293 fully paid-up ordinary shares, representing 1,929,304 euros, with an issue premium of 54,175,144 euros. Changes in the number of shares outstanding can be broken down as follows:

€'000 / K€	Dec 31, 2012	Issues	Reductions	Dec 31, 2013
Number of securities	12,809,243	46,050	-200,000	12,655,293
Rounded off par value (€)	0.15			0.15
Total	**1,953**			**1,953**

The increase in capital and issue premiums reflects the following events:

- At the Board meeting on May 15, 2013 the directors acknowledged the capital decrease by 200,000 shares relating to the cancellation of treasury shares.
- At the Board meeting on May 15, 2013 the directors acknowledged that the holders of marketable securities (giving access to the capital with the characteristics of stock options) exercised their rights to subscribe for 86,958 new shares to be issued in connection with a capital increase, representing a total issue of 668,775.43 euros; the subscribers paid up their subscriptions in cash; in this way, the new shares were subscribed for and then paid up for any sums due in accordance with the conditions in force for the issue, with a capital increase of 13,252.43 euros. The issue premium totaled 655,523.03 euros.

20.2.20.2. Stock option warrant and bonus share scheme

► **Characteristics of schemes in 2013**

Board meeting date (dd/mm/yyy)	AGM authorization date (dd/mm/yyy)	Warrant type	Quantity	Price of the Stock option
20/02/2013	06/06/2012	Stock options	10,500	27.110
20/02/2013	06/06/2012	Bonus shares	23,700	NA
15/05/2013	06/06/2012	Stocks option	24,000	22.488
15/05/2013	06/06/2012	Bonus shares	13,300	NA

On July 29, 2013, the Board of Directors validated the proposal, terms and conditions for the Remuneration and Incentive Plan Regulations submitted by the Appointments and Compensation Committee for 2013, i.e. 20,000 units which will entitle beneficiaries to 20,000 Parrot bonus shares.

The Appointments and Compensation Committee delegated the authority to Parrot S.A.'s management to award a plan for 2,500 bonus shares on July 15, 2013, subject to various presence conditions.

The Appointments and Compensation Committee delegated the authority to Parrot S.A.'s management to award a plan for 17,500 bonus shares on November 13, 2013, subject to various presence conditions.

► **Changes in share schemes:**

	2012	2013
Number of options at Jan 1	1,184,617	942,134
Options maturing during 2012	-63,392	
Options awarded during the year	295,250	91,500
Options exercised during the year	-209,941	-226,163
Options maturing during the year	-264,400	-23,100
Number of options at year-end	**942,134**	**784,371**

► **Fair value of share schemes**

Parrot S.A. has determined the fair value of goods and services received over the period based on the fair value of the equity instruments awarded. The share's starting value is taken on the allocation date.

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

► **Conditions for exercising options**

All the schemes share warrants have the following characteristics (conditions for presence within the company):

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

With regard to bonus shares, 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 bonus shares awarded to the various beneficiaries from Varioptic will be vested at the end of a four-year period if the performance conditions are met in terms of minimum revenues.

On July 29, 2013, the Board of Directors validated the proposal, terms and conditions for the Remuneration and Incentive Plan Regulations submitted by the Appointments and Compensation Committee.

The Appointments and Compensation Committee has set up a new plan for awarding units settled in Parrot shares at the end of a three-year period subject to presence conditions for all beneficiaries, combined with a performance condition for Top Management (executive managers, Grade 3 executives under the national collective bargaining agreement (*convention collective*) applicable in France, as well as country managers).

The performance criterion will apply for 50% of the shares awarded based on the change in Parrot's share price over 2014, 2015 and 2016 under the following conditions:

- If the change in the share price is negative over the period, no shares will be awarded,
- If this change ranges from 0% to +20% → 50% of the shares will be awarded,
- If this change ranges from +20% to +40% → 70% of the shares will be awarded,
- If this change is higher than 40% → 100% of the shares will be awarded.

The share prices will be compared based on the average share price for the three months prior to the beginning of the plan (from October 1 to December 31, 2013) and the average for the three months prior to its end (from October 1 to December 31, 2016).

The assumptions used during 2013 to determine the fair value are:

- **Stocks options**

Board meeting date	Exercise price	Acquisition period: Part 1	Acquisition period: Other parts	Share of Part 1	Share of the Other parts	Contractual maturity	Expected volatility assumption	Board meeting date
20/02/2013	27.110	10,500	03/03/2020	2 years	50.00%	6.25%	7 years	40.00%
15/05/2013	22.488	24,000	30/05/2020	2 years	50.00%	6.25%	7 years	40.00%

- **Bonus shares**

Award decided on by the Board of Directors:

Board meeting date	Allocation date	Quantity	Acquisition start	Acquisition period	Acquisition date
20/02/2013	20/02/2013	23,700	21/02/2013	2.00	21/02/2015
15/05/2013	15/05/2013	13,300	16/05/2013	2.00	16/05/2015

Award decided on by the Appointments and Compensation Committee:

Committee meeting date	Allocation date	Quantity	Acquisition start	Acquisition period	Acquisition date
29/07/2013	01/08/2013	2,500	01/08/2013	3.00	01/08/2016
14/11/2013	01/12/2013	17,500	01/12/2013	3.00	01/12/2016

The fair value retained for bonus shares is the Parrot stock price on the day they are awarded to staff as decided by the Board of Directors.

Bonus shares subject to market performance conditions: not applicable at December 31, 2013.

The fair value retained for the bonus shares subject to market performance conditions is determined based on the optional binomial model on the day when they are awarded by the Appointments and Compensation Committee.

Date and type of scheme*	Duration	Quantity existing at Dec 31, 2012	Quantity awarded during the period	Quantity exercised during the period	Quantity cancelled, expired or lapsed	Quantity existing at Dec 31, 2013
BM 10/04/08: SO	4 years	1,500		-1,500		
BM 13/05/08: SO	4 years	6,700			-6,700	
BM 31/07/08: SO	4 years	13,000		-2,000	-11,000	
BM 13/11/08: SO	4 years	3,000		-3,000		
BM 12/02/09: SO	4 years	71,458		-27,145		44,313
BM 14/05/09: SO	4 years	45,322		-11,279		34,043
BM 30/07/09: SO	4 years	260				260
BM 12/11/09: SO	4 years	5,000				5,000
BM 11/02/10: SO	4 years	18,468				18,468
BM 12/05/10: SO	4 years	37,450		-1,126		36,324
BM 29/07/10: SO	4 years	95,000				95,000
BM 10/11/10: SO	4 years	6,000				6,000
BM 10/02/11: SO	4 years	16,000				16,000
BM 11/02/11: BS	2 years	58,400		-54,400	-4,000	

BM 12/05/11: SO	4 years	20,213				20,213
BM 12/05/11: BS	2 years	34,613		-33,813	-800	
BM 28/07/11: SO	7 years	8,000				8,000
BM 28/07/11: BS	2 years	73,300		-34,100	-200	39,000
BM 10/11/11: SO	7 years	75,000				75,000
BM 10/11/11: BS	2 years	58,200		-57,800	-400	
BM 15/02/12: SO	7 years	203,750				203,750
BM 15/02/12: BS	2 years	26,750				26,750
BM 12/05/12: SO	7 years	20,800				20,800
BM 12/05/12: BS	2 years	3,900				3,900
BM 28/07/12: BS	2 years	11,850				11,850
BM 10/11/12: SO	7 years	23,000				23,000
BM 10/11/12: BS	2 years	5,200				5,200
BM 20/02/13 SO	7 years		10,500			10,500
BM 20/02/13 BS	2 years		23,700			23,700
BM 15/05/13 SO	7 years		24,000			24,000
BM 15/05/13 BS	2 years		13,300			13,300
BM 01/08/13 BS	3 years		2,500			2,500
BM 15/11/13 BS	3 years		17,500			17,500
Total		**-942,134**	**91,500**	**-226,163**	**-23,100**	**784,371**

(*) Abbreviation: BM: Board meeting, SO: Stock options, BS: Bonus shares

► Impact on the financial statements

Based on the calculation parameters used to determine the fair value in line with the Black and Scholes method, and the optional binomial model for bonus shares subject to market performance conditions, the expense recognized for the allocation of stock options, warrants and bonus shares totaled 3,058 K€ for 2013, compared with 4,083 K€ in 2012.

20.2.20.3. Treasury shares

€'000	Dec 31, 2012	Acquisitions	Disposals	Other	Cancellation	Delivery	Dec 31, 2013
Number of securities	614,941	552,116	-177,695	16,200	-200,000	-180,113	625,449
Value (1)	13,641,731	-	-	-	-	-	12,263,348

(1) 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, 2013.

The treasury shares at Dec 31, 2013 represents 9,579 treasury shares from the liquidity agreement, 466,770 treasury shares from the share buyback program and 149,100 shares allocated to employees but not yet served.

The general shareholders' meeting on June 4, 2013 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

Transaction	Quantity (shares)	Acquisition/sale price (€)
Number of securities at Dec 31, 2012	1,754	48,774
Purchases in 2013	185,520	4,221,791
Sales in 2013	177,695	4,094,237
Number of securities at Dec 31, 2013	**9,579**	**176,329**

► Share buyback agreement

Agreement	2012 balance	Value K€	Cancelled in 2013	Allocated in 2013	Value K€	Shares bought back	Value K€	Allocated but unserved	2013 balance
n°1			8,800		122,209				
n°4			7,400	118,711	1,720,835				
n°5	19,713	449,544		61,342	1,398,871			19,713	
n°6	81,645	1,984,911	77,658		1,887,981			3,987	
n°7	5,978	160,958	5,978		160,958				
n°9	235	4,195	235		4,195				
n°10	233,403	5,695,136	99,929		2,407,681	166,596	3,942,407	33,300	266,770
n°11						200,000	4,253,433		200,000
Total	**340,974**	**8,294,744**	**200,000**	**180,113**	**7,702,730**	**366,596**	**8,195,840**	**171,271**	**466,770**

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, 2013.

20.2.20.4. Dividends

There are no plans to pay out any dividends relative to 2013.

20.2.21. Note 21 – Financial debt

€'000 / K€	Dec 31, 2012	Dec 31, 2013
Convertible bonds		
Non-convertible bonds	213	
Borrowings and debt with credit institutions	17,838	11,385
Debt on leased fixed assets		
Sundry borrowings and financial debt	637	469
NON-CURRENT FINANCIAL LIABILITIES (LONG-TERM)	**18,688**	**11,854**
Short-term portion of non-convertible bonds	213	212
Borrowings and debt with credit institutions	6,000	6,000
Short-term borrowings and financial debt	116	166
Bank borrowings (cash liabilities)		1,181
Accrued interest on borrowings		35
CURRENT FINANCIAL LIABILITIES (SHORT-TERM)	**6,329**	**7,595**

► Non-convertible bonds

The outstanding capital on the non-convertible bonds represents 213 K€ redeemable through to December 31, 2014, with an interest rate indexed against the three-month Euribor.

► Sundry borrowings and financial debt

They represent the OSEO advance received by Varioptic, initially repayable from September 2010; the repayment schedule for this zero-rate advance was redefined with the amendment dated September 28, 2010, running from September 30, 2012 to June 30, 2016. At December 31, 2013, the Oseo advance represented 534 K€, including 166 K€ under one year.

The fair value of the OSEO advance was estimated at 534 K€, factoring in the probability of advances being repaid, resulting from the probability of success with the projects funded and the discounting of cash flows based on a representative rate for the cost of debt (Euro Industrial BBB-, average maturity of five years, i.e. 4.5%).

At December 31, 2013, two conditional long-term loans are recorded for senseFly for a total of 97 K€ (government loans to support young businesses).

Borrowings and debt with credit institutions

On July 1, 2011, Parrot S.A. set up two credit opening agreements with drawdown notices, repayable on a quarterly basis, with its banking partners - HSBC (for 15 M€) and LCL (for 20 M€) - and a revolving loan agreement with drawdown notices with Crédit Agricole Ile de France (for 10 M€), to finance all or part of its external growth. These three contracts cover a five-year period (expiring July 1, 2016) and are indexed against the three-month Euribor.

To hedge its exposure to the rate risk, and more specifically fluctuations in the three-month Euribor, against which the credit line drawdowns are indexed, the Company decided to take out two variable-fixed rate swap agreements (2.085% for 20 M€ of capital and 1.85% for 10 M€) in order to protect itself against interest rate fluctuations.

The Company also decided to apply hedge accounting for these two instruments at December 31.

At December 31, 2013, the breakdown of borrowings and debt with credit institutions was as follows:

- Credit line drawdowns: 17 M€ (LCL: 10 M€ and HSBC: 7 M€)
- Fair value of swaps: 385 K€
- Overdraft line (Banque Palatine): 1,181 K€.

The following ratios defined with the banks were respected at December 31, 2013:

- Consolidated net financial debt / consolidated EBITDA
- Consolidated gross financial debt / consolidated equity (Group share)
- Consolidated net financial debt / consolidated equity

The non-convertible bonds and the borrowings and debt with credit institutions are variable-rate (indexed against the three-month Euribor variable rate). Borrowings and debt with credit institutions are hedged in full under two rate swaps.

Fair value of derivative instruments at year-end

€'000 / K€	Dec 31, 2012	Dec 31, 2013
Current liabilities		
Non-current liabilities	838	385

20.2.22. Note 22 – 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.

	Dec 31, 2012	Dec 31, 2013
Net income (Group share, €)	24,533,581	1,556,532
Weighted average number of shares outstanding	12,753,139	12,703,821
Basic net earnings per share (€)	**1.92**	**0.12**

Diluted earnings per share

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

	Dec 31, 2012	Dec 31, 2013
Net income (Group share, €)	24,533,581	1,556,532
Diluted weighted average number of shares	13,381,341	13,396,866
Diluted net earnings per share (€)	**1.83**	**0.12**

20.2.23. Note 23 – Non-controlling interests

Parrot has awarded senseFly's minority shareholders put options for their 39.6% interest in senseFly (see Note 27.2 "Other non-current liabilities").

20.2.24. Note 24 – Provisions for pensions and related commitments

20.2.24.1. Introduction

Employee benefits primarily comprise pension benefits concerning Parrot S.A.

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

The introduction of the revised version of IAS 19 has not had any material impact on the calculation of the provision for retirement benefits because actuarial gains and losses were already recognized in OCI before the revised standard came into force.

20.2.24.2. Financial information

Supplementary employee benefits primarily concern provisions for retirement benefits.

At December 31, 2013, these provisions totaled 1,635 K€, compared with 1,537 K€ in 2012.

► **Expense for the year**

€'000 / K€	2012	2013
Cost of services	-166	-242
Discounting cost	-44	-51
Amortization of actuarial gains / (losses)		
Amortization of past service costs	4	
Reduction / liquidation effects		
Total	**- 206**	**-293**

► **Total actuarial gains / (losses) recognized in OCI for the year**

€'000 / K€	2012	2013
Experience gains and losses due to updating of database at Jan 1	-36	12
Other experience gains and losses generated during the year	31	
Gains and losses linked to changes in assumptions	-338	87
Total amount recognized in OCI	**-343**	**99**

► **Change in provisions**

€'000	2012	2013
(Provision) / amount paid in advance at start of period	-989	-1,537
Impact of change in standard: stock of cost of services on this date recognized on opening in accordance with IAS 19 R (through equity)		56
(Provision) / amount paid in advance at January 1, 2013		-1,481
Income / expense for year	-206	-2941
Amount recognized in OCI for year	-342	98
Benefits paid by the employer in 2013		42
Total	**- 1,537**	**-1,635**

► **Change in actuarial liability**

€'000 / K€	2012	2013
Actuarial liability (DBO) at start of period	-929	-1,482
Experience actuarial gains / losses at year-start (*)	-36	
Cost of services	-166	-242
Discounting cost	-44	-51
Other experience gains and losses generated over the period	31	12
Gains and losses linked to changes in assumptions	-338	87
Benefits paid	-	42
Total	**-1,482**	**-1,634**

Reconciliation of the financial position

€'000 / K€	2012	2013
Actuarial liability (DBO) at December 31	-1,481	-1,633
Plan's financial position	-1,481	-1,633
Unfunded cost of past services	-56	
Average / equivalent rate for increase in pay	**-1,537**	**-1,633**

Main assumptions

%	2012	2013
Discount rate	3.50%	4.70%
Expected rate of inflation	2.00%	2.00%
Average / equivalent rate for increase in pay	**3.00%- 4.00%**	**3.00%-4.00%**

20.2.25. Note 25 – Other non-current provisions

€'000 / K€	Dec 31, 2012	Allowance	Reversals used	Changes in scope	Translation difference	Dec 31, 2013
Provisions for individual training entitlements	1,486	164				1,642
Total	**1,486**	**164**				**1,642**

20.2.26. Note 26 – Current provisions

€'000 / K€	Dec 31, 2012	Allowance	Reversals used	Changes in scope	Translation difference	Dec 31, 2013
Provisions for customer warranties	4,225	975	-189	-590		4,421
Other provisions for contingencies and liabilities	5,528	2,828	-5,028	590		3,918
Total current provisions	**9,753**	**3,803**	**-5,217**			**8,338**

A 1.7 M€ provision for supplier commitments is recorded under other provisions for contingencies and liabilities, intended to cover firm commitments to purchase strategic components and products for which the sales prospects appear uncertain (modification of sales prospects).

20.2.27. Note 27 – Trade payables, current tax liabilities and other current and non-current liabilities

Note 27.1 – Trade payables, current tax liabilities and other current liabilities

€'000 / K€	Dec 31, 2012	Dec 31, 2013
Trade payables	43,424	32,746
Current tax liability	1,288	1,980
Advances and deposits paid on orders	1,588	1,379
Tax and social security liabilities	13,390	12,331
Other liabilities	2,389	945
Other current liabilities	**17,367**	**14,655**

The 660 K€ in tax on business added value (CVAE) for 2013 has been reclassified as a current tax liability.

Note 27.2 – Other non-current liabilities

€'000 / K€	Dec 31, 2012	Dec 31, 2013
Liabilities relating to acquisitions of fixed assets	16,512	14,923
Other non-current liabilities	**16,512**	**14,923**

Parrot has awarded senseFly's minority shareholders put options for the 39.6% interest they hold in senseFly. These options will be able to be exercised in 2016, with an exercise price based on the revenues and operating margin achieved by senseFly in 2015. Early exercising is permitted in certain cases following the departure of minority shareholders who are members of senseFly's senior management team.

Parrot's obligation to buy back the securities is recognized under other fixed assets (classed as non-current liabilities) payable for a total of CHF 16.6 million (13.7 M€) at December 31, 2013, equal to the discounted value of the estimated exercise price, based on the levels of margins and revenues currently included in senseFly's business plan at the time of this acquisition. At December 31, 2013, there were no events reported that might significantly call this business plan into question. The discount rate reflects the marginal cost of debt for Parrot.

The potential earnout for Varioptic will be payable in 2015, depending on the revenues achieved by Varioptic in 2014. This potential earnout will be payable to all the vendors and is not subject to any future service conditions. The potential earnout was reduced by 2.2 M€ during 2013, factoring in the probability of the performance criterion being met and the impact of discounting on the future payment. After being adjusted, the earnout represents 0.7 M€.

20.2.28. Note 28 –Financial instruments

Note 28.1 – Category and fair value of financial assets and liabilities

At December 31, 2013

€'000 / K€	Fair value through P&L (1)	Fair value through equity	Assets available for sale	Loans and receivables	Debt at amortized cost	Derivatives	Balance sheet value	Fair value
Financial assets	2,360						2,360	2,360
Trade receivables				39,206			39,206	39,206
Other current receivables				31,305			31,305	31,305
Other current financial assets	42,671						42,671	42,671
Cash and cash equivalents	55,444						55,444	55,444
Total financial assets	**100,475**			**70,511**			**170,986**	**170,986**
Other financial debts					18,595	385	18,980	18,980
Other non-current liabilities		13,794			1,128		14,922	14,922
Trade payables					32,746		32,746	32,746
Other current liabilities					14,655		14,655	14,655
Total financial liabilities					**67,125**	**385**	**81,304**	**81,304**

At December 31, 2012

€'000 / K€	Fair value through P&L (1)	Fair value through equity	Assets available for sale	Loans and receivables	Debt at amortized cost	Derivatives	Balance sheet value	Fair value
Financial assets	2,819						2,819	2,819
Trade receivables				50,909			50,909	50,909
Other current receivables				21,899			21,899	21,899
Other current financial assets	33,107						33,107	33,107
Cash and cash equivalents	73,113						73,113	73,113
Total financial assets	**109,039**			**72,808**			**181,847**	**181,847**
Other financial debts					23,329	838	24,167	24,167
Other non-current liabilities		13,733			2,779		2,779	2,779
Trade payables					43,424		43,424	43,424
Other current liabilities					17,367		17,367	17,367
Total financial liabilities					**84,119**	**838**	**84,957**	**84,957**

(1) Financial assets at fair value through profit and loss.

Fair value hierarchy

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

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

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

The fair value hierarchy is based on the following levels:

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

We did not make any transfers between the various levels between 2012 and 2013.

The 39.6% interest held by the minority shareholders in senseFly is subject to "combined" call and put options that may be exercised after year-end 2015 or earlier in the event of the departure of the minority shareholders who are members of the management team, based on a variable price depending on SenseFly's operational performance in the period prior to the buyback. Parrot's commitment to buy out the minority interests has been recorded under "other non-current liabilities" against a reduction in consolidated shareholders' equity (cf. Note 27.2).

The potential earnout for Varioptic will be payable in 2015, depending on the revenues achieved by Varioptic in 2014. This earnout is payable to all the vendors and is not subject to any future service conditions (cf. Note 27.2).

At December 31, 2013

€'000 / K€	Total	Level 1	Level 2	Level 3
Financial liabilities measured at fair value:				
Financial assets	2,360	2,360		
Other current financial assets	42,671	42,671		
Cash and cash equivalents	55,444	55,444		
Total assets	**100,475**	**100,475**		
Financial liabilities measured at fair value:				
Other financial liabilities	18,595			
Financial derivatives	385		385	
Other current liabilities	14,655			
Other non-current liabilities	39	39		
Other non-current liabilities (Level 3)	14,883	-	-	14,883
Total liabilities	**48,557**	**39**	**385**	**14,883**

At December 31, 2012

€'000 / K€	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value:				
Other financial assets	2,819	2,819,		
Other current financial assets	33,107	33,107		
Cash and cash equivalents	73,113	73,113		
Total assets	**109,039**	**109,039**		
Financial liabilities measured at fair value:				
Other financial liabilities	23,329			
Financial derivatives	838		838	
Other current liabilities	17,366			
Other non-current liabilities	26	26		
Other non-current liabilities (Level 3)	16,486			16,486
Total liabilities	**58,045**	**26**	**838**	**16,486**

Note 28.2 – Schedule for financial debts

Financial debts are detailed in Note 21 “Financial Debts”.

Note 28.3 – Analysis of trade receivables and their seniority

At December 31, 2013

€'000 / K€	Current	Trade receivables for which the payment due date has passed				
		0-3 months	3-6 months	6-12 months	>1 year	Total
Trade receivables	31,220	6,745	531	286	2,725	41,507
Total financial assets	**31,220**	**6,745**	**531**	**286**	**2,725**	**41,507**
Of which, COFACE cover	12,562	3,038	213	142	14	15,968
Trade receivables not covered	18,659	3,707	318	145	2,711	25,539
Provisions for trade receivables and related					2,301	2,301
Total trade receivables	**31,220**	**6,745**	**531**	**286**	**423**	**39,206**

At December 31, 2012

€'000 / K€	Current	Trade receivables for which the payment due date has passed				
		0-3 months	3-6 months	6-12 months	>1 year	Total
Trade receivables	42,075	9,059	-417	68	1,565	52,350
Total financial assets	**42,075**	**9,059**	**-417**	**68**	**1,565**	**52,350**
Of which, COFACE cover	16,191	3,858	50	83	6	20,188
Trade receivables not covered	25,884	5,201	-467	-15	1,559	32,162
Provisions for trade receivables and related					1,441	1,441
Total trade receivables	**42,075**	**9,059**	**-417**	**68**	**125**	**50,909**

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 2,301 K€, including an increase of 860 K€ for 2013. Trade receivables represent a net total 39,206 K€.

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

Note 28.4 – Hedging instruments

In connection with its activity, the Company is exposed to a foreign exchange risk relating to the €/$ exchange rate.

Under the various loan agreements - taken out on July 1, 2011 with its banking partners HSBC, LCL and Crédit Agricole Ile de France - to finance all or part of its external growth, the Parrot Group is exposed to the rate risk, and more specifically fluctuations in the three-month Euribor, the variable rate against which the credit line drawdowns are indexed.

To hedge this exposure, the Parrot Group decided to take out swap agreements to protect itself against interest rate fluctuations. The Company also decided to apply hedge accounting at December 31, 2013 in order to limit volatility on the income statement.

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

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

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

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

20.2.29. Note 29 – Market risks

Note 29.1 – 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 2013, 62% of the Group's revenues, 93% of its cost of sales and 8% of its operating costs were denominated in USD or currencies linked to the dollar, with the Group exposed to this currency's fluctuations against the euro. The Group has not hedged its net exposure to changes in the USD.

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

At the end of December 2013, 44.5% of the Group's cash and other financial asset position was in US dollars or related currencies.

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

	2013			
€'000 / K€	P&L impact	Impact of FV adjustment on reserves	P&L impact	Impact of FV adjustment on reserves
	10% appreciation for currencies against euro		10% appreciation for euro against the currencies	
Trade receivables	6,646		-5,437	
Other equity interest-related receivables	769		-630	
Trade payables	5,483		-4,486	
Financial derivatives				

€'000 / K€	2012 P&L impact	Impact of FV adjustment on reserves	P&L impact	Impact of FV adjustment on reserves
	10% appreciation for currencies against euro		10% appreciation for euro against the currencies	
Trade receivables	7,540		-6,169	
Other equity interest-related receivables	915		-749	
Trade payables	4,746		-3,883	
Financial derivatives				

Note 29.2 – Rate risk

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

The impact of a 1% variation in the average rate of return would represent a 629 K€ loss on the level of consolidated financial income.

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

Lastly, the Parrot Group's rate risk management policy involves limiting the risks of changes in rates for drawdowns on the variable-rate credit lines. The Parrot Group adopts a policy which is intended to ensure that all or part of the exposure to changes in interest rates on borrowings is covered by fixed rates. The Group takes out interest-rate swaps and classes them as hedging for drawdowns on the variable-rate credit lines.

Note 29.3 – Risk relating to treasury stock

The Group does not hold any investments in shares, with the exception of treasury stock, in line with the share buyback program authorized by the general shareholders' meeting.

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

The value of treasury stock reclassified as equity represents 12.263 K€ for 625,449 shares.

Note 29.4 – Liquidity and counterparty risk

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

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

Financial Assets at December 31, 2013

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, 2013, the maximum credit risk exposure can therefore be broken down as follows:

- Trade receivables: 39.2 M€
- Other receivables: 31.3 M€
- Other financial assets: 42.7 M€
- Cash and cash equivalents: 55.4 M€

During 2013, the Parrot Group's policy was to diversify its counterparty risk management by distributing investments among first-rate banking institutions and over various timeframes, in addition to regularly monitoring developments.

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

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

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

A COFACE policy covers the non-collection of debt from certain French and foreign Company customers located within Regions "1" and "2" (respectively covering OECD countries and the rest of the world, based on criteria defined by COFACE) for sales of Company products, as well as sales made by the subsidiaries: Parrot GmbH, Parrot UK Ltd, Parrot Iberia S.L., Parrot Italia S.r.l., 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, 2013

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 December 31, 2013

€'000 / K€	Book value	Contractual cash flow	< 1 year	1-2 years	2-5 years	> 5 years
Financial liabilities						
Non-convertible bonds	212		212			
Debt with credit institutions	17,035		6,035	11,000		
Sundry borrowings and financial debt	635		166	469		
Bank borrowings	1,181		1,181			
Trade payables	32,746		32,746			
Other liabilities	29,577		14,185	15,392		
Current tax liability	1,980		1,980	-		
Total	**83,366**		**56,505**	**26,861**		
Derivative financial liabilities						
Rate instruments	385					
Total	**385**					

At December 31, 2012

€'000 / K€	Book value	Contractual cash flow	< 1 year	1-2 years	2-5 years	> 5 years
Financial liabilities						
Non-convertible bonds	426		213	213		
Debt with credit institutions	23,000		6,000	12,000	5,000	
Sundry borrowings and financial debt	753		116	637		
Bank borrowings						
Trade payables	43,424		43,424			
Other liabilities	33,879		17,367		16,512	
Current tax liability	1,288		1,288			
Total	**102,770**		**68,408**	**12,850**	**21,512**	
Derivative financial liabilities						
Rate instruments	838					
Total	**838**					

► Financial debt at December 31, 2013

Financial debt is detailed in Note 21.

20.2.30. Note 30 – Executive compensation

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

€'000 / K€	Dec 31, 2012	Dec 31, 2013
Fixed pay	1,793	1,946
Variable pay	743	963
Short-term benefits	2,536	2,908
Post-employment benefits		
Payments in shares	837	723
Total	**3,372**	**3,631**

The management committee is made up of 12 people who perform the following functions: Chairman and Chief Executive Officer, VP research office, Deputy VP research office, VP Technical Business Units, VPs Business Units, Chief marketing officer, Chief validation officer, Chief production officer, Chief procurement officer, Chief administrative and financial officer, Chief human resources officer and Chief marketing and communications officer.

20.2.31. Note 31 – Related parties

No significant operations were carried out over 2013 with:

- Shareholders with significant voting rights in the Company's capital representing more than 2.5% of the capital.
- Members of the executive management bodies, including any directors and observers, with the exception of the agreement entered into between the Company and Mr. Edward Planchon, a Company director. For 2013, Mr. Edward Planchon did not invoice for any services through EKP Consult LLC, the American-law company he controls, to the American subsidiary Parrot, Inc. but he was reimbursed for a total of 2,516 US dollars for the costs he incurred.
- Entities over which one of the main executives exercises control, joint control or a significant influence or holds a significant number of voting rights.

20.2.32. Note 32 – Commitments given or received

► Commitments given

At December 31, 2013, the Company had commitments for future payments relating to operating leases that may not be terminated:

Year	2013 gross value ('000)
2014	1,447
2015	1,268
2016	619
2017 and later	88
Total	**3,422**

On July 20, 2012, the company Parrot S.A. granted a joint and several guarantee to the company JADE SAS for a maximum of 0.5 M€ for the effective fulfillment by its subsidiary Chez Parrot SARL of its commitments in relation to its lease for the premises at 30 rue du Quatre-Septembre in Paris (75002). senseFly has joint liability for 122 K€ in relation to the tenant of the former premises through to October 31, 2015. In addition, a bank guarantee has been given for a total of 300 K€. At the start of the second half of 2012, 5 M€ of investment collateral were put in place as a guarantee for the agreement to open a drawdown credit facility with Crédit Agricole d'Ile de France.

At December 31, 2012 the amount of firm orders placed with our main suppliers came to a total of 21.0 M€.

20.2.33. Note 33 – Post-balance sheet events

On January 29, 2014, Parrot S.A.'s interest in Pix4D was increased to 50.1%, with an option to buy out the remaining capital in 2017. The Group has also acquired interests in start-ups specialized in commercial and civil drones:

- Airinov is designing a dedicated drone solution exclusively for agronomic use, with an optical sensor; 1.6 M€ interest, representing 20.9% of the capital.
- EOS Innovation is a specialist in mobile robotics for the surveillance of industrial sites, logistics platforms and warehouses; 1.0 M€ interest, representing 33.4% of the capital.

20.3. Statutory auditors' report on the consolidated financial statements for 2013

KPMG Audit IS
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3 cours du Triangle
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92939 Paris La Défense Cedex
France

ERNST & YOUNG et Autres
1/2, place des Saison
Tour First
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France

Dear Shareholders,

Pursuant to the mandate given to us by your general meetings, please find hereafter our report on the financial year ended December 31, 2013 relative to:

- The audit of Parrot S.A.'s consolidated financial statements, as appended to this report;
- The basis for our opinions;
- The specific procedures and information required under French law.

The consolidated financial statements have been approved by your Board of Directors. Our responsibility is to express an opinion on these accounts based on our audit.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with the industry standards applicable in France. These standards require that we plan and perform the audit to obtain reasonable assurance that the consolidated financial statements are free from any material misstatements. An audit includes examining, on a test basis or using other methods for selection, evidence supporting the amounts and information contained in the consolidated accounts. An audit also involves assessing the accounting principles used and the significant estimates made, as well as the overall presentation of the financial statements. We believe that the elements we have collected are sufficient and appropriate to form a basis for our opinion.

We certify that the consolidated financial statements present fairly, in all material respects, the assets, liabilities and financial position of the group comprising the consolidated companies, in addition to the results of its operations, in accordance with IFRS as adopted in the European Union.

II. Basis for our opinions

Pursuant to the provisions of Article L. 823-9 of the French commercial code relative to the forming of our opinions, we would like to draw your attention to the following elements:

The group systematically carries out value tests on goodwill and intangible assets with an indefinite lifespan at each close under the conditions set out in Note 2M "Depreciation of tangible and intangible assets" to the consolidated financial statements. Based on the information available to date, we have reviewed the conditions for implementing this value test, as well as the cash flow forecasts and assumptions used. We have also ensured that Note 9 to the consolidated financial statements provides appropriate information.

In connection with our assessment of the accounting principles applied by your company, we have reviewed the conditions for recording development costs as assets, as well as the conditions retained for their depreciation and for checking their recoverable value, and we have ensured that Notes 2K, 2M and 10 of the appendix to the consolidated financial statements provide appropriate information.

The assessments made in this way are part of our audit of the consolidated financial statements in general and therefore contributed to the formation of our opinion expressed in the first part of this report.

III. Specific procedures and information

In accordance with the industry standards applicable in France, we also verified the information given relative to the Group in the management report, as required under French law.

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

Paris La Défense, April 17, 2014

The statutory auditors

KPMG Audit IS
Eric Lefebvre
Partner

ERNST & YOUNG et Autres
Pierre Jouanne
Partner

20.4. Parrot S.A. financial statement

20.4.1. Parrot S.A. balance sheet

ASSETS, in €	GROSS	Depreciation and provisions	Net Dec 31, 2013	Net Dec 31, 2012
INTANGIBLE ASSETS				
Concessions, patents and related	12,546,032	10,909,465	1,636,568	1,485,205
Goodwill	23,949,257	3,140,216	20,809,041	23,949,257
Other intangible assets	2,969,262	2,126,202	843,061	442,262
Total Intangible assets	**39,464,551**	**16,175,882**	**23,288,669**	**25,876,724**
PROPERTY, PLANT AND EQUIPMENT				
Technical facilities, plant and equipment	13,018,926	10,813,786	2,205,141	2,825,019
Other property, plant and equipment	9,153,344	5,175,937	3,977,408	3,810,140
Fixed assets under construction	348,598	295,400	53,198	87,517
Total Property, plant and equipment	**22,520,869**	**16,285,122**	**6,235,746**	**6,722,676**
LONG-TERM FINANCIAL				
Other equity interests	33,378,433	23,635,328	9,743,104	8,504,951
Receivables from equity interests	6,924,806	3,365,413	3,559,393	4,559,183
Other long-term financial investments	826,019		826,019	834,713
Total Long-term financial investments	**41,129,258**	**27,000,741**	**14,128,517**	**13,898,847**
FIXED ASSETS	**103,114,678**	**59,461,746**	**43,652,932**	**46,498,246**
INVENTORIES AND WORK-IN				
Inventories of raw materials	15,869,792	4,267,625	11,602,168	22,577,282
Inventories of intermediate and finished	4,541,342	889,292	3,652,050	6,191,327
Total Inventories and work-in-progress	**20,411,134**	**5,156,917**	**15,254,217**	**28,768,609**
RECEIVABLES				
Advances and deposits paid on orders	53,684		53,684	647,366
Trade receivables and related	49,897,373	909,239	48,988,134	47,990,419
Other receivables	**25,396,494**	**345,000**	**25,051,494**	**19,529,780**
Total Receivables	**75,347,552**	**1,254,239**	**74,093,312**	**68,167,564**
CASH, CASH EQUIVALENTS AND				
Marketable securities	65,281,011	1,999,046	63,281,965	80,408,219
Cash at bank and in hand	5,200,334		5,200,334	16,750,565
Prepaid expenses	2,015,851		2,015,851	1,151,366
Total Cash, cash equivalents and other	**72,497,196**	**1,999,046**	**70,498,150**	**98,310,149**
CURRENT ASSETS	**168,255,882**	**8,410,202**	**161,149,876**	**195,246,323**
Deferred expenses over several years				
Bond redemption premiums				
Translation gains	430,611		430,611	188,192
TOTAL ASSETS	**271,801,170**	**67,871,948**	**203,929,221**	**241,932,761**

LIABILITIES in €	Net Dec 31,	Net Dec 31,
NET POSITION		
Share or individual capital, of which 1 952 766 paid	1,929,304	1,952,766
Issue, merger, contribution premiums	49,800,482	54,175,144
Revaluation differences		
Legal reserve	203,512	203,512
Statutory or contractual reserves		
Regulated reserves		
Other reserves		
Retained earnings	92,219,794	69,256,567
Earnings for the year	**12,130,495,**	**22,963,227,**
Investment subsidies		
SHAREHOLDERS' EQUITY	**132,022,598**	**148,551,217**
Income from issues of equity securities		
Conditional advances	3,652,131	3,768,131
OTHER EQUITY	**3,652,131**	**3,768,131**
Provisions for contingencies	8,085,508	11,257,810
Provisions for liabilities	1,633,000	1,559,706
PROVISIONS FOR CONTINGENCIES AND LIABILITIES	**9,718,508**	**12,817,516**
FINANCIAL LIABILITIES		
Convertible bonds		
Other bonds	212,719	425,438
Borrowings and debt with credit institutions	17,041,703	23,055,452
Sundry borrowings and financial debt	1,847,550	2,529,936
Total Financial Liabilities	**19,101,971**	**26,010,826**
ADVANCES AND DEPOSITS RECEIVED ON CURRENT ORDERS	**727,000**	
SUNDRY LIABILITIES		
Trade payables and related	24,352,936	31,273,787
Tax and social security liabilities	11,867,886	13,755,830
Fixed asset payables and related		38,000
Other liabilities	1,685,204	4,347,052
Total Sundry liabilities	**37,906,025**	**49,414,669**
PREPAID INCOME	**238,914**	**303,231**
LIABILITIES	**57,973,911**	**75,728,725**
Translation losses	562,075	1,067,172
TOTAL	**203,929,221**	**241,932,761**

20.4.2. Parrot S.A. income statement

€	France	Export	Dec 31, 2013	Dec 31, 2012
Sales of goods				
Production sold: goods	17,476,814	86,666,493	104,143,307	125,997,821
Production sold: services	68,058	5,428,604	5,496,662	3,380,634
Net revenues	**17,544,873**	**92,095,097**	**109,639,970**	**129,378,455**
Stored production			-2,367,656	1,521,459
Capitalized production				
Operating subsidies			107,626	722,047
Reversal of depreciation and provisions, transferred expenses			10,004,254	11,577,831
Other income			44,139,948	63,254,808
Operating income			**161,524,142**	**206,454,601**
EXTERNAL EXPENSES				
Purchases of raw materials and other supplies			33,445,116	61,203,433
Change in inventories (raw materials and supplies)			13,314,451	-9,156,528
Other purchases and external expenses			58,814,596	70,338,304
Total External Expenses			**105,678,332**	**122,385,209**
Tax and related			2,944,852	3,510,718
STAFF COSTS				
Salaries and wages			35,380,057	36,171,485
Social security costs			14,271,280	14,935,568
Total Staff costs			**49,651,337**	**51,107,054**
OPERATING PROVISIONS				
Provisions for depreciation on fixed assets			5,787,941	5,967,018
Provisions on fixed assets				
Provisions on current assets			3,810,858	3,084,949
Provisions for contingencies and liabilities			2,630,554	5,980,291
Total Operating provisions			**12,229,353**	**15,032,258**
Other operating expenses			4,593,361	3,669,432
Total Operating expenses			**175,097,236**	**195,704,670**
EBIT			**-13,573,094**	**10,749,931**
FINANCIAL INCOME				
Financial income from equity interests				16,197,946
Other interest and related income			358,369	185,832
Reversal of provisions and transferred expenses			1,409,175	4,911,376
Foreign exchange gains			3,408,812	4,197,753
Net income from disposal of marketable securities			996,795	1,629,444
Total Financial income			**6,173,151**	**27,122,351**
FINANCIAL EXPENSES				
Financial depreciation and provisions			3,687,640	15,869,721
Interest and related expenses			517,943	1,148,786
Foreign exchange losses			3,987,752	4,558,996
Net expenses on sale of marketable securities			192,807	57,338
Total Financial expenses			**8,386,142**	**21,634,841**
Financial Result			**-2,212,991**	**5,487,509**
Income from Ordinary Operations Before Tax			**-15,786,084**	**16,237,440**
NON-RECURRING INCOME				
Non-recurring income on management transactions			2,264,672	
Non-recurring income from previous reporting period			500,000	
Non-recurring income on capital transactions			38,000	3
Reversal of provisions and transferred expenses			3,273,790	2,251,863
Total Non-recurring income			**6,076,462**	**2,251,866**
NON-RECURRING EXPENSES				
Non-recurring expenses on management transactions			232,587	654,330
Non-recurring expenses on capital transactions			3,082,636	1,785,478
Non-recurring depreciation and provisions			3,140,216	
Total Non-recurring expenses			**6,455,438**	**2,439,808**
NON-RECURRING INCOME (LOSS)			**-378,977**	**-187,942**
Employee profit-sharing				
Corporate income tax			-4,034,566	-6,913,729
Total Income			**173,773,755**	**235,828,817**
Total Expenses			**185,904,250**	**212,865,590**
Profit or Loss			-12,130,495	22,963,227

20.4.3. Notes to Parrot S.A.'s financial statements

The appended financial statements present the operations of Parrot S.A., with its registered office in Paris, France.

The financial statements for the year ended December 31, 2013 were approved by the Board of Directors on February 26, 2014. The financial statements are presented in euros.

20.4.3.1. Note 1 – Highlights

Note 1.1. Main events over the year

Revenues totaled 109,640 K€, compared with 129,378 K€ one year earlier, down 15.25%. Revenues for 2013 include 2,754 K€ in management fees invoiced to Parrot S.A. subsidiaries. Other income amounts to 44,140 K€ and includes a transfer-costing of royalties to Parrot Asia for 39,707 K€. These royalties relate to the use of industrial and intellectual property rights, with one concerning the license to use OEM and AFM patents, and the other the use of Parrot brands.

The margin on the consumption of raw materials and goods came to 60,513 K€, representing 55.19%, compared with 78,853 K€ and 60.95% in 2012.

EBIT shows a loss of 13,573 K€, compared with a 10,750 K€ profit one year earlier.

Non-recurring items show a loss of 379 K€ compared with a loss of 188 K€ in 2012.

Net income shows a loss of 12,130 K€, representing -11.06% of revenues.

Two buyback programs were carried out in 2013, resulting in 366,596 shares being bought back for 8,196 K€ in FY 2013.

Note 1.2. Main events of 2012

Parrot S.A. acquired the following interests:

- On May 22, 2013: 1.6% (250 K€) of Netatmo, a company that produces and sells connected devices;
- On October 24, 2013: 9.94% (1,003 K€) of Delair-Tech, a company that produces and sells long-endurance drone-based aerial observation solutions for the agricultural and industrial sectors.

Note 1.3. Post-balance sheet events

On January 29, 2014, Parrot S.A.'s interest in Pix4D was increased to 50.1%, with an option to buy out the remaining capital in 2017.

The Group has also acquired interests in start-ups specialized in commercial and civil drones:

- Airinov is designing a dedicated drone solution exclusively for agronomic use, with an optical sensor; 1.6 M€ interest, representing 20.9% of the capital.
- EOS Innovation is a specialist in mobile robotics for the surveillance of industrial sites, logistics platforms and warehouses; 1.0 M€ interest, representing 33.4% of the capital.

20.4.3.2. Note 2 – Accounting methods and rules

The financial statements for the year ended December 31, 2013 have been prepared and presented in accordance with French accounting principles and rules (French general chart of accounts), including the French accounting standards board's (Comité de règlementations comptable) new accounting rules.

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

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

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

The main methods used are presented hereafter:

Note 2.1. 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

Development costs are not capitalized. The total amount of research spending and development costs is recognized in expenses for the year.

Goodwill

The goodwill recorded on the balance sheet, with a net value of 20,809 K€, primarily corresponds to:

- The technical merger loss generated on the acquisition and merger of DiBcom for 19,412 K€.
- The technical merger loss generated on the acquisition and merger of Varioptic for 4,529 K€, with a 3,140 K€ impairment for the year. The net value of the technical merger loss on Varioptic came to 1,389 K€ at December 31, 2013.

In accordance with CRC Regulation 2004-01, these merger losses are not depreciated, but subject to impairment tests. They are considered to be impaired when the current value of one or more underlying assets to which a portion of the merger loss has been allocated falls below the book value of the aforementioned assets, plus the portion of merger loss allocated.

Note 2.2. Property, plant and equipment

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

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

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

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

- Fixtures and fittings and technical facilities 3 to 10 years
- Plant and equipment 3 years
- Office equipment and IT 2 to 3 years
- Transport equipment 3 years
- Furniture 5 years

Capital gains or losses stem from differences between the sales price and the net book value of assets sold off.

Note 2.3. Long term financial investments

Equity securities are valued based on their acquisition cost, which comprises the purchasing cost and related expenses.

If the inventory value is lower than the acquisition cost, a provision for depreciation is recorded and supplemented if necessary with a provision for depreciation for current accounts and a provision for contingencies and liabilities.

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

Note 2.4. Stocks

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 stored. A provision is recorded if the realizable value is lower than the weighted average price.

Intermediate and finished products: Slow turnover is calculated by comparing the quantities in stock at the end of the period and the quantity sold over the last 12 months (year-on-year). Any surplus quantity in stock compared with sales for the last 12 months is provisioned based on the estimated impairment.

Note 2.5. Receivables

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

Note 2.6. Foreign currency transactions

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

Note 2.7. Cash, cash equivalents and marketable securities

Cash and cash equivalents comprise cash in hand and demand deposits. Marketable securities are valued at their acquisition cost. When the inventory value is lower than the gross value, a provision for depreciation is recorded for the amount of any difference.

Note 2.8. Provisions for contingencies and liabilities

A provision is recorded on the balance sheet when the Group has a current legal or implied legal obligation resulting from a past event and when it is likely that an outflow of resources representative of economic benefits will be necessary in order to fulfill the obligation. A provision for free shares awarded is booked in line with a depreciation schedule spread over two or four years from the allocation date decided on by the Board of Directors.

Warranty provisions: A provision for warranties is recorded at the time of the sale of the corresponding goods. The provision for customer warranties is calculated based on the quantities sold by PSA. For each product category, the rate of returns for goods sold concerning sales over the past 30 months is applied, based on the weighted average price for the new product. The rate of returns is provided by the quality department. The cost of exchanges is based on the inventory value of a new product.

Other provisions: A provision for supplier commitments is recorded and intended to cover the risk of any loss in value of products ordered from suppliers as a result of sales prospects.

Employment tribunal provisions: A provision for disputes is estimated on a case-by-case basis in view of an analysis of the situations with help from the legal advisors in charge of monitoring them.

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

- Retirement age 62 to 64 years
- Rate of wage growth: 3%
- Discount rate: 3.50%
- Rate for social security costs: 45%

This provision represented 1,633 K€ at December 31, 2013, compared with 1,560 K€ in 2012.

Note 2.9. Revenues

Income from the sale of goods is recorded on the income statement when the significant benefits and risks inherent in ownership of the goods have been transferred to the buyer.

Income from the provision of services is recorded on the income statement based on the level of progress made with the service on the closing date. The level of progress made is determined with reference to the costs incurred.

Revenues generated with specialized distributors are recognized net of any listing or volume-based discounts. The amount of any listing or volume-based discounts granted is recorded on the shipment date for goods based on past experience and the contractual conditions in force.

Note 2.10. Breakdown of corporate income tax

The tax expense comprises:

- Tax calculated at the common law rate;
- Tax subject to the discount rate of 15% calculated on royalties for industrial property right concessions;
- Hong Kong withholding tax;
- Research tax credit.

Note 2.11. Transactions between related parties

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

20.4.3.3. Note 3 – Balance sheet information

Note 3.1. Assets

► **Fixed assets**

in €	Gross value at year-start	Acqui., contrib.., creations, transfers	Reduction through transfers	Reduction through disposals, retirements	Gross value at year-end
INTANGIBLE ASSETS					
Patents and related rights	12,814,888	1,992,667		2?261?523	12,546,032
Goodwill	23,949,257				23,949,257
Other intangible assets	2,284,018	899,096		213,852	2,969,262
Total intangible assets	**39,048,163**	**2,891,763**		**213,000**	**39,048,163**
PROPERTY, PLANT AND EQUIPMENT					
Technical facilities, plant and equipment	18,556,741	1,194,441		6,732,257	13,018,926
Other property, plant and equipment	5,203,560	1,301,101		236,663	6,267,998
Transport equipment	36,582			5,000	31,582
Office equipment and furniture	3,605,682	561,611		1,313,530	2,853,763
Ongoing property, plant and equipment	382,918			34,320	348,598
Total property, plant and equipment	**27,785,482**	**3,057,154**		**8,321,770**	**22,520,869**
LONG-TERM FINANCIAL INVESTMENTS					
Other equity interests	32,104,279	1,274,153			33,378,433
Equity interest-related receivables	9,103,308	681,793		2,034,278	7,750,825
Loans and other long-term financial inv.	**41,207,587**	**1,955,946**		**2,034,278**	**41,129,258**
General total	**108,041,232**	**7,904,862**		**12,831,422**	**103,114,678**

► **Depreciation**

in €	Total at year-start	Provisions	Reversals	Total at year-end	Straight-line
INTANGIBLE ASSETS					
Patents and related rights	11,329,683	1,840,984	2,261,203	10,909,465	1,840,984
Goodwill		3,140,216		3,140,216	3,140,216
Other intangible assets	1,841,755	498,667	214,220	2,126,202	498,667
Total intangible assets	**13,171,438**	**5,479,867**	**2,475,423**	**16,175,882**	**5,479,867**
PROPERTY, PLANT AND EQUIPMENT					
Technical facilities, plant and equipment	15,731,722	1,778,319	6,696,255	10,813,786	1,778,319
Other property, plant and equipment	2,204,879	1,036,850	235,491	3,006,238	1,036,850
Transport equipment	11,924	8,703	5,000	15,627	8,703
Office equipment and furniture	2,818,882	624,380	1,289,190	2,154,073	624,380
Current property, plant and equipment	295,400			295,400	
Total property, plant and equipment	**21,062,807**	**3,448,252**	**8,225,936**	**16,285,122**	**3,448,252**
General total	**34,234,245**	**8,928,120**	**10,701,359**	**32,461,004**	**8,928,120**

The potential earnout for Varioptic will be payable in 2015, depending on the revenues achieved by Varioptic in 2014. This potential earnout will be payable to all the vendors and is not subject to any future service conditions.

The value of the potential earnout was reduced by 2.2 M€ during 2013, factoring in the probability of the performance criterion being met and the impact of discounting on the future payment. After being adjusted, the earnout represents 0.7 M€.

▶ Subsidiaries and equity interests

Subsidiaries	Capital	Shareholders' equity excluding earnings	Capital stake	Net book value of securities €			Loans and advances €			Revenues	Earnings	Dividends
	€	€	%	Gross	Provisions	Net	Gross	Provisions	Net	€	€	€
CHEZ PARROT	10,000,	-121,477	100	10,000		10,000	674,908	345,000	329,908	462,538	-223,652	
PARROT ASIA PACIFIC Ltd (HK)	935	24,564,558	100	1,092		1,092				152,520,712	5,223,894	
PARROT GmbH (Germany)	25,000	153,155	100	25,000		25,000				2,402,188	110,817	
PARROT, Inc. (USA)	2,678,098	-3,556,038	100	2,083,637	2,083,637		6,924,806	3,365,413	3,559,393	27,303,757	191,472	
PARROT SRL (Italy)	10,000	365,156	100	10,000		10,000				1,404,282	-98,817	
PARROT UK Ltd	120	1,264,849	100	145		145				2,007,673	262,707	
PARROT IBERIA (Spain)	63,036	1,974,461	100	22,996,160	21,056,000	1,940,160				7,821,164	-24,684	
PARROT JAPAN (KK)	69,000	203,848	100	77,950		77,950				1,030,935	55,434	
PARROT AUSTRALIE	6,484	34,659	100	8,236		8,236				839,395	21,856	
SENSEFLY	150,786	2,336,776	60	4,339,980		4,339,980				6,290,774	-412,549	
PIX4D	81,460	1,702,843	31	2,073,089		2,073,089				2,297,448	336,290	
DA FACT			20	495,691	495,691							
NETATMO				254,800		254,800						
DELTA DRONE				93		93						
DELAIR TECH				1,002,560		1,002,560						
Total				**33,378,432**	**23,635,328**	**9,743,104**	**7,599,714**	**3,710,413**	**3,889,301**	**204,380,866**	**5,442,767**	

In 2013, Parrot S.A. did not receive any dividends from its subsidiaries.The Parrot Iberia securities were depreciated for 36 K€, in addition to the 21,020 K€ recorded in 2012. During 2013, Parrot S.A. increased its loan to its subsidiary Chez Parrot by 199 K€ to 675 K€.

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.

Inventories

in €	At year-end	At year-start	Change in inventories Increase	Decrease
Raw materials and other supplies	15,869,792	29,184,244	-13,314,451	
Finished products	4,541,342	6,908,998	-2,367,656	
Total	**20,411,134**	**36,093,242**	**-15,682,108**	

Change in marketable securities

in €	Number	Unite price	Unrealized gain/loss	Total
SG Monétaires	7	5,310		37,168
LCL CAT garanti	4	2,391,135	5,630	9,564,539
Deutsche Bank DAT 03/03/2014	1	1,000,000	403	1,000,000
Crédit Agricole BMTN 08/07/2014	1	5,000,000	34,647	5,000,000
LCL EMTN 15/07/2014	1	5,000,000	30,946	5,000,000
Crédit Agricole BMTN 05/03/2015	1	10,000,000	23,775	10,000,000
CIC CATIP 08/03/2015	1	6,233,952	69,314	6,233,952
CIC CATIP 24/05/2015	1	6,186,332	19,157	6,186,332
Crédit Agricole DAT Prof revenus 5 18/03/2018	1	3,000,000	1,465	3,000,000
DAT BNP USD maturing 06/01/2014	1	5,075,774	282	5,075,774
Subtotal: investments			**185,618**	**51,097,765**

in €	Number	Buyback value	Depreciation	Net Value
Shares allocated	143,700	3,325,949		3,325,949
Shares to be allocated	466,770	10,680,967		10,680,967
Subtotal: treasury shares	**610,470**	**14,006,916**		**14,006,916**

in €	Quantity (shares)	Loss	Purchase/Sale price
Number of securities at Dec 31, 2012	1,754		48,774
Purchased in 2013	185,520		4,221,791
Sold in 2013	177,695		4,094,237
Subtotal: liquidity agreement	**9,579**	**51,968**	**48,774**

Total Marketable securities	**65,281,010**

Share buyback agreement

Agreement	2012 balance	Value (K€)	Cancelled 2013	Allocated in 2013	Value (K€)	Shares bought back	Value (K€)	Allocated but unserved	2013 balance
# 1			8,800		122,209				
# 4			7,400	118,771	1,720,835				
# 5	19,713	449,544		61,342	1,398,871			19,713	
# 6	81,645	1,984,911	77,658		1,887,981			3,987	
# 7	5,978	160,958	5,978		160,958				
# 9	235	4,195	235		4,195				
# 10	233,403	5,695,136	99,929		2,407,681	166,596	3,942,407	33,300	266,770
# 11						200,000	4,253,433		200,000
Total	**340,974**	**8,294,744**	**200,000**	**180,113**	**7,702,730**	**366,596**	**8,195,840**	**57,000**	**466,770**

Liquidity agreement

Transaction date	Quantity	Amount in €
Number of securities at Dec 31, 2012	1,754	48,774
Purchased in 2013	185,520	4,221,791
Sold in 2013	177,695	4,094,237
Total	**9,579**	**176,329**

Accounts receivable

Breakdown of accounts receivable on the balance sheet, in €	Amount
Long-term financial investments	
Equity interest-related receivables	
Other long-term financial investments	
Receivables	**2,023,023**
Trade receivables and related	358,868
Staff & social organizations	11,201
State	927,226
Sundry receivables & other receivables	725,728
Marketable securities	
Cash and cash equivalents	
Accrued interest receivable	
Total	**2,023,023**

Prepaid expenses and income

in €	Expenses	Income
Operating income or expenses	2,015,851	238,914
Financial income or expenses		
Non-recurring income or expenses		
Total	**2,015,851**	**238,914**

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

Note 3.2. Liabilities

Change in shareholders' equity

in €	2012	Variation	2013
Capital	1,952,766	-23,462	1,929,304
Issue premium	54,175,144	-4,374,662	49,800,482
Legal reserves	203,512		203,512
Unavailable reserves			
Retained earnings	69,256,567	22,963,227	92,219,794
2012 earnings	22,963,227	-22,963,227	
2013 earnings		-12,130,495	-12,130,495
Total	**148,551,216**	**-16,528,619**	**132,022,598**

The change in the capital and issue premium over 2013 primarily reflects:

- A capital increase through the creation of 146,035 new shares, further to the exercising of options for a nominal of 7 K€ and a 279,000 euro issue premium.
- A capital reduction, following the cancellation of 200,000 shares for a nominal of 30 K€ and an issue premium of 4,653 K€.
- Profits for the year ended December 31, 2012 were allocated in full to retained earnings.
- No dividend was paid out during the last 3 years.

► Share capital

in €	Number of shares	Per value
1-Shares or rights comprising the capital at year-start	12,809,327	0.1524
2-Shares or rights issued during the year	46,035	0.1524
3-Shares or rights cancelled during the year	-200,000	0.1524
4-Shares or rights comprising the capital at year-end	**12,655,362**	**0.1524**

► Stock options and bonus shares

Stock options

Decision date	Situation at end 2012	Quantity exercised in 2013	Quantity expired in 2013	New scheme in 2013	Situation at end 2013	Exercise limit date
10 April 08	1,500	-1,500-	-			09 April 13
13 May 08	6,700			-6,700		12 May 13
31 July 08	13,000	-2,000		-11,00		30 July 13
13 Nov. 08	3,000	-3,000				12 Nov. 13
12 Feb. 09	71,458	-27,145			44,313	11 Feb. 14
14 May 09	45,322	-11,279			34,043	13 May 14
30 July 09	260				260	29 July 14
12 Nov. 09	5,000				5,000	11 Nov. 14
11 Feb. 10	18,468				18,468	10 Feb. 15
12 May 10	37,450	-1,126			36,324	11 May 15
29 July 10	95,000				95,000	28 July 15
10 Nov. 10	6,000				6,000	09 Nov. 15
10 Feb. 11	16,000				16,000	09 Feb. 16
12 May 11	20,213				20,213	11 May 16
28 July 11	8,000				8,000	27 July 18
10 Nov. 11	75,000				75,000	09 Nov. 18
15 Feb. 12	203,750				203,750	14 Feb. 17
10 May 12	20,800				20,800	09 May 17
16 Nov. 12	23,000				23,000	15 Nov. 17
20 Feb 13				10,500	10,500	19 Feb 18
15 May 13				24,000	24,000	14 May 18
Total	**669,921**	**-46,050**	**-17,700**	**34,500**	**640,671**	

Bonus shares

Decision date	Situation at end 2012	Quantity exercised in 2013	Stock options expired in 2013	New scheme in 2013	Situation at end 2013	Exercise limit date
10 Feb. 11	58,400	-54,400	-4,000			09 Feb. 16
12 May 11	34,613	-33,813	-800			11 May 16
28 July 11	73,300	-34,100	-200			27 July 16
10 Nov. 11	58,200	-57,800	-400			09 Nov. 16
15 Feb. 12	26,750				26,750	14 Feb. 17
10 May 12	3,900				3,900	09 May 17
26 July 12	11,850				11,850	25 July 17
16 Nov. 12	5,200				5,200	15 Nov. 17
20 Feb. 13				23,700	23,700	19 Feb. 18
15 May 13				13,300	13,300	14 May 18
01 Aug. 13				2,500	2,500	31 July 18
15 Nov. 13				17,500	17,500	14 Nov. 18
Total	**272,213**	**-180,113**	**-5,400**	**57,000**	**143,700**	

► Provisions

in €	Amount at year-start	Increase, provisions	Decrease, write-backs	Amount at year-end
Prov. for supplier commitments	3,351,844		2,737,254	614,591
Prov. for customer warranties	2,827,376	832,681		3,660,057
Prov. for commercial disputes	1,099,588	1,201,873	1,099,588	1,201,873
Prov. for exchange rate loss	188,192	430,611	188,192	430,611
Prov. for depreciation schedule on shares distributed	2,668,808	847,100	2,316,019	1,199,889
Prov. for depreciation schedule on shares distributed (unqualified)		29,883		29,883
Prov. for employment disputes	1,122,001	402,000	575,397	948,604
Prov. for retirement benefits	1,559,706	194,000	120,706	1,633,000
Prov. for contingencies and liabilities	**12,817,516**	**3,938,148**	**7,037,156**	**9,718,508**
Prov. for property, plant and equipment	295,400			295,400
Prov. for other long-term financial investments	27,308,741	36,000	344,000	27,000,741
Prov. for current accounts		345,000		345,000
Prov. for inventories and work-in-progress	7,324,633	3,289,971	5,457,686	5,156,917
Prov. for accounts receivable	424,805	520,887	36,453	909,239
Prov. for impairment of marketable securities		1,999,046		1,999,046
Prov. for impairment of Varioptic goodwill		3,140,216		3,140,216
Prov. for depreciation	35,353,579	9,331,120	5,838,140	38,846,559
Total	**48,171,095**	**13,269,268**	**12,875,296**	**48,565,067**

► Accrued expenses

Accrued expenses included under the following balance sheet items	in €
Convertible bonds	
Other bonds	
Borrowings and debt with credit institutions	6,287
Sundry borrowings and financial debt	
Trade payables and related	7,654,373
Tax and social security liabilities	7,997,000
Debt on fixed assets and related	
Cash, cash equivalents and accrued expenses	
Other bonds	928,407
Other liabilities	**16,586,068**

► Translation gains or losses

Translation gains or losses on accounts receivable and payable in foreign currencies (in euros):

Type of gain or loss	Amount assets: unrealized loss	Difference offset through forex hedging	Provision for forex loss	Amount liabilities: unrealized gain
On non-financial fixed assets				
On long-term financial investments				
On receivables	422,348		422,348	454,358
On financial debt				
On operating debt	8,263		8,263	107,717
On fixed asset-related debt				
Total	**430,611**		**430,611**	**562,075**

20.4.3.4. Note 4 – Information on the income statement

Note 4.1. Breakdown of revenues

Breakdown by market	in €
Handsfree kits (Installed systems and Plug & Play)	55,117,703
Home: Designer Collection	6,237,677
Parrot AR.Drone	15,243,975
FLOWER POWER	879,460
DIB COM products	8,771,507
Varioptic products	1,026,023
Other sales	**22,363,625**
Total	**109,639,970**

Breakdown by regional market	in €
Europe excluding France	66,017,535
France	20,813,971
Other countries	22,808,464
Total	**109,639,970**

Note 4.2. Other income

	in €
Royalties billed to Parrot Asia Pacific	39,707,355
Royalties billed to other customers	4,158,513
Other	381,707
Total	**44,247,574**

Note 4.3. Financial income

Financial income	in €
Income from marketable securities	996,795
Reversal of provisions	2,848,211
Transferred non-recurring expenses	-1,439,036
Foreign exchange gain	3,408,812
Other interest and related income	358,369
Total	**6,173,151**

Financial expenses	in €
Provisions for exchange gains or losses	430,611
Depreciation of shares distributed	847,100
Depreciation of shares distributed (unqualified)	29,883
Depreciation of long-term financial investments	381,000
Depreciation of marketable securities	1,999,046
Interest	517,943
Foreign exchange loss	3,987,752
Capital loss on treasury stock	192,807
Total	**8,386,142**

The 2,213 K€ financial loss primarily reflects the depreciation of treasury stock for 1,999 K€.

Note 4.4. Non-recurring income

Non-recurring income	in €
Income from disposal of asset items	38,000
Non-recurring income from previous years	500,000
Misc. non-recurring income	2,264,672
Transferred non-recurring expenses	3,273,790
Total	**6,076,462**

Non-recurring expenses	in €
Penalties	406
Non-recurring expenses	232,181
Book values of assets divested	63,857
Merger loss from the acquisition of shares issued by the Company	3,018,779
Impairment of Varioptic goodwill	**3,140,216**
Total	**6,455,438**

The 379 K€ non-recurring loss notably reflects the following points:

- Impairment of Varioptic's goodwill for 3,140 K€,
- Reduction in Varioptic's earnout for 2,265 K€,
- Reversal of a provision on a credit note to be issued from previous years for 500 K€.

Note 4.4. Corporate income tax

in €	Pre-tax earnings	Tax
Income from ordinary operations	-15,786,084	
Common law tax		
Discount rate tax		-585,807
Withholding tax		-1,374,074
Tax credit		5,994,447
Non-recurring income / loss (excluding profit-sharing)	-378,977	
Pre-tax earnings	**-16,165,061**	
Tax		4,034,566
Net income		**-12,130,495**

Note 4.5. Unrealized tax

in €	Base	Tax
Temporarily taxable transactions		
Losses carried forward	-59,540,904	
Loss for the year	-18,423,034	
ORGANIC (national fund for the independent organization of old-age insurance for non-salaried industrial and commercial workers)	-34,798	
Unrealized capital gains on UCITS	-22,515	
Exchange gains	562,075	
Retirement benefits	96,000	
Total	**-77,363,176**	
Future tax saving		-25,785,147
Total	**-77,363,176**	**-25,785,147**

20.4.3.5. Note 5 – Other information

Note 5.1. Payables and receivables

► Due dates for accounts receivable

in €	Gross amount	Under 1 year	Over 1 year
Fixed assets			
Equity interest-related receivables	6,924,806	6,924,806	
Loans			
Other long-term financial investments	826,019	79,149	746,870
Total	**7,750,825**	**7,003,955**	**746,870**
Current assets			
Bad or disputed receivables	941,806	941,806	
Other trade receivables	48,955,567	48,955,567	

Advances and deposits paid	53,684	53,684	
Receivables representative of loaned securities			
Staff and related	11,288	11,288	
Social security and related	96,329	96,329	
State - corporate income tax	21,254,616	21,254,616	
State - value-added tax	1,774,121	1,774,121	
State - other tax and payments			
State - other	879,251	879,251	
Group and related	674,908	674,908	
Sundry receivables	735,687	735,687	
Total	**75,377,258**	**75,377,258**	
Prepaid expenses	**2,015,851**	**2,015,851**	
Total	**85,143,934**	**84,397,064**	**746,870**

The 21,255 K€ tax receivable corresponds primarily to the research tax credit receivable for 26,340 K€, against which a tax expense has been allocated for 5,085 K€.

► Due dates for accounts payable

in €	Gross amount	Under 1 year	1 to 5 years
Non-convertible bonds	212,719	212,719	
Borrowings from credit institutions	17,041,703	6,041,703	11,000,000
- Up to 1 year at the outset			
- Over 1 year at the outset	17,041,703	6,041,703	11,000,000
Sundry borrowings and financial debt			
Trade payables and related	24,352,936	24,352,936	
Staff and related	5,006,078	5,006,078	
Social security and related	4,701,490	4,701,490	
Corporate income tax	1,212,937	1,212,937	
Value-added tax			
Surety bonds			
Other taxes and related	947,380	947,380	
Fixed asset payables and related			
Group and related	1,847,550	1,847,550	
Other payables	1,685,204	1,685,204	
Debt representative of borrowed securities			
Prepaid income	238,914	238,914	
Total	**57,246,911**	**46,246,911**	**11,000,000**

Note 5.2. Transactions between related parties

in €	Assets	Liabilities	Financial expenses	Financial income
Long-term financial investments	7,693,115	1,904,939		
Group trade receivables	28,012,405			43,329
Group trade payables		7,873,362		
Loan interest				
Accrued interest				
Total	**35,705,520**	**9,778,301**		**43,329**

Note 5.3. Off-balance sheet commitments

- Customs guarantee: 300 K€ outstanding
- Office leasing:
  - 2014: 1,240 K€
  - 2015: 1,082 K€
  - 2016: 432 K€

At the start of the second half of 2011, 5 M€ of collateral were put in place with the financial securities account opened in the Company's name in the books of Crédit Agricole Ile de France as a guarantee for the 10 M€ credit line.

The following ratios defined with the banks were respected at December 31, 2013:

- Consolidated net financial debt / consolidated EBITDA
- Consolidated gross financial debt / consolidated equity (Group share)
- Consolidated net financial debt / consolidated equity

Parrot has awarded senseFly's minority shareholders put options for the 39.6% interest they hold in senseFly. These options will be able to be exercised in 2016, with an exercise price based on the revenues and operating margin achieved by senseFly in 2015. Early exercising is permitted in certain cases following the departure of minority shareholders who are members of senseFly's senior management team.

Note 5.4. Retirement benefits

Assumptions for the valuation of Parrot's retirement benefit commitments at December 31, 2012

Main assumptions	2012	2013
Discount rate	**3.50%**	**3.50%**
Inflation rate	**2.00%**	**2.00%**
Rate of wage growth	**3.00% - 4.00%**	**3.00%**
Mortality tables	**INSEE TV/TD 06-08**	**INSEE TV/TD 06-08**
Retirement approach	**Voluntary**	**Voluntary**
Retirement age		
- Executive grade staff	64	64
- Non-executives	62	62
Turnover		
25 years old and less	15.00%	15.00%
25 - 29	11.00%	11.00%
30 - 34	7.50%	7.50%
35 - 39	4.50%	4.50%
40 - 44	1.90%	1.90%
45 - 49	0.80%	0.80%
50 years old and over	0.00%	0.00%
Employer payroll taxes rate	45.00%	45.00%
Valuation method	**Projected unit credits with prorated entitlements at term**	

Change in provisions at Dec 31, 2013 in K€	2012	2013
(Provision) / amount paid in advance at start of period	929	1,481
Income / expense for 2013	210	294
Benefits paid by employer		42
(Provision) / amount paid in advance at Dec 31, 2013	**1,481**	**1,633**

► Individual training request

The number of hours of training for beneficiaries totaled 31,221 hours.

Note 5.5. Headcount of Parrot S.A.

► Headcount

December 31	2012	2013
Employees, technicians and supervisors	60	60
Executive-grade staff	507	511
Trainees	18	18
Foreign offices	15	11
Total	**600**	**600**

Average headcounts

December 31	2012	2013
Employees, technicians and supervisors	55	61
Executive-grade staff	487	510
Trainees	18	18
Total	**560**	**589**

The change in the headcount over 2013 can be broken down as follows:

Company recruitments during the year:

- 121 recruitments, including
- 81 fixed-term contracts

Departures during 2013:

- Resignations: 23
- Fixed contracts ended: 65
- Probationary periods completed: 4
- Dismissals for just cause: 9
- Dismissal for gross misconduct: 1
- Dismissal for ordinary negligence: 1
- Dismissal for economic reasons: 0
- Contract terminations by employer: 3
- Contract terminations by employees: 0
- Group transfers: 3
- Death: 0
- Retirement: 1

Note 5.6. Executive compensation

In 2013, the global compensation for administrative and management bodies totaled 561,121 euros, with 25 K€ in attendance allowances.

20.5. Statutory auditors' report on the annual financial statements

KPMG Audit
Immeuble Le Palatin
3 cours du Triangle
CS 80039
92939 Paris La Défense Cedex
France

ERNST & YOUNG et Autres
1/2, place des Saisons
Tour First
TSA 14 444
92037 Paris la Défense Cedex
France

Dear shareholders,

Pursuant to the mandate given to us by your General Meeting, please find hereafter our report on the financial year ended December 31, 2013 relative to:

- The audit of Parrot SA.'s annual financial statements as appended to this report;
- The basis for our opinions;
- The specific procedures and information required under French law.

The annual financial statements are the responsibility of your Board of Directors. Our responsibility is to express an opinion on these accounts based on our audit.

1 Opinion on the annual financial statements

We conducted our audit in accordance with the industry standards applicable in France. These standards require that we plan and perform the audit to obtain reasonable assurance that the annual financial statements are free from any material misstatements. An audit involves examining, on a test basis or using other selection methods, evidence supporting the amounts and information contained in the annual financial statements. An audit also involves assessing the accounting principles used and the significant estimates made, as well as the overall presentation of the financial statements. We believe that the elements we have collected are sufficient and appropriate to form a basis for our opinion.

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

2 Basis for our opinions

Pursuant to the provisions of Article L.823-9 of the French commercial code relative to the forming of our opinions, we would like to draw your attention to the following points:

- The "Goodwill" section in Note 3.4.1 presents the accounting methods and rules for depreciating the losses.
- Note 3.4.3 “Long-term financial investments” presents the accounting methods and rules relating to the value in use and depreciation of investment securities.
- Note 3.4.4 “Inventories” presents the accounting methods and rules relating to the depreciation of inventories.

In connection with our assessment of the accounting principles applied by your company, we verified the appropriate nature of the accounting methods set out above and the information provided, while also reviewing the methods for conducting impairment tests and the assumptions used. The estimates retained for these tests are based on assumptions which are by their nature uncertain, and actual performance may differ significantly from the forward-looking data used.

The assessments made in this way are part of our audit of the annual financial statements in general and therefore contributed to the formation of our opinion expressed in the first part of this report.

3 Specific procedures and information

In accordance with the industry standards applicable in France, we also performed the specific procedures required under French law.

We have no observations to make regarding the fair presentation and consistency with the annual financial statements of the information given in the Board of Directors’ management report and the documents provided for shareholders with respect to the financial position and the annual financial statements.

With regard to the information supplied in accordance with the provisions of Article L.225-102-1 of the French commercial code concerning the compensation and benefits paid to corporate officers, as well as the commitments made in relation to them, we have checked that it is consistent with the accounts or with the data used for drawing up such accounts and, as relevant, with the elements collected by your company from companies controlling or controlled by your company. On the basis of this work, we certify that such information is true and accurate.

As required by law, we have ensured that the various items of information relating to acquisitions of interests as well as the identity of shareholders have been provided to you in the management report.

Paris La Défense, April 17, 2014

The statutory auditors

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

20.6. Interim financial information

NA.

20.7. Dividend payment policies

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

On the filing date for the present reference document, the Company intends to use its operational cash flow to finance its business over the short and medium term. The Company does not intend to pay out dividends to its shareholders in the near future.

20.8. Arbitration and judicial proceedings

Over the last 12 months, there were not any governmental, judicial or arbitration proceedings (including any proceedings which are pending or which the Company is aware of or threatened by) which could have or have recently had any significant impacts on the financial position or profitability of the Company or Group.

20.9. Significant change in the commercial or financial position

The Group has not seen any significant change in its commercial or financial position since December 31, 2013.

20.10.

XXI. Additional information

21.1. Share capital

On the filing date for the present reference document, Parrot is a French-law limited company ("*société anonyme*") governed by the laws and regulations in force, as well as its status as a publicly traded company whose shares are admitted for trading on a regulated market. This section presents information concerning the financial authorizations and the bylaws as on the date of the present reference document.

21.1.1. Amount of the share capital

At December 31, 2013, the share capital was split into 12,655,293 fully paid-up ordinary shares, all of the same category, with a par value of 0.1524 euros, representing a total of 1,929,304 euros.

21.1.2. Non-capital securities

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

21.1.3. Shares bought back over the year

21.1.3.1. Share buyback policy and objectives

The general meeting on June 4, 2013 renewed the authorization to implement a share buyback program, for an 18-month period ending December 3, 2014. Under this authorization, the Company buys back treasury shares in connection with a liquidity agreement on the one hand and allocations of shares to Group employees on the other.

The Company entered into a first liquidity agreement with Natixis on July 31, 2008, in accordance with the AFEI compliance charter, approved by the French securities regulator (AMF), for a one-year period, tacitly renewable subject to the renewal of the authorization given to the Board of Directors to implement a share buyback program by the aforementioned general meeting.

Since the ordinary general meeting on June 4, 2013 renewed the authorization for the Board of Directors to implement a share purchase program, the Board acknowledged during its meeting on June 4, 2013 this contract's tacit renewal as from this same day. The latest mandate still in place with Natixis is due to end on the day of the general meeting convened to approve the annual financial statements for 2013.

As authorized by the general meeting on June 4, 2013, the maximum purchase price for shares has been set at 41.125 euros. Acquisitions made by the Company under these authorizations may not result in the Company directly or indirectly holding more than 10% of the shares comprising its capital.

The shares bought back may be used with a view to:

- Continuing to implement the liquidity agreement;
- Awarding stock options and/or bonus shares;
- Being submitted in exchange for payment in connection with external growth operations;
- Reducing the Company's capital.

Desire to limit dilution

Traditionally, since floating on the stock market in 2006, Parrot has carried out operations on the financial markets to acquire the bonus shares awarded and regularly offset the dilution resulting from stock options awarded through capital reductions based on cancellations of shares. In this way, during its session on May 15, 2013, the Board of Directors, in accordance with the tenth resolution from the combined general meeting on June 6, 2012, decided to cancel 200,000 treasury shares, representing 1.56% of the total number of securities at May 15, 2013, the capital reduction's effective date. The total number of Parrot shares came to 12,655,293 at December 31, 2013, compared with 12,599,724 at December 31, 2006.

At December 31, 2013, Parrot held 4.9% of its capital as treasury stock, representing 625,449 shares.

21.1.3.2. Liquidity agreement in connection with the share buyback programs

The means made available to Natixis Securities so that it can perform its market making activity have been set at a maximum of 600 K€, paid up in full, with the maximum unit price for purchases not to exceed 41.125 euros.

As decided by the Board of Directors on June 4, 2013, the Company acknowledged the automatic renewal of the liquidity agreement set up with Natixis for a one-year period from July 31, 2013 to July 31, 2014.

In 2013, under the liquidity agreement:

- Number of shares bought and sold:
    - 185,520 shares bought;
    - 177,695 shares sold.
- Average price for purchases and sales:
    - Average price for purchases: 22.75 euros;
    - Average price for sales: 23.04 euros.
- Number of shares registered in the Company's name at year-end:
    - 9,579 shares registered;
    - Value based on the purchase price: 176,329 euros;
    - Average purchase price: 18.41 euros;
    - Reasons for acquisitions made: market making or liquidity of the Company's share;
    - Percentage of the capital they represent: not significant.
- Resources available for the liquidity account at December 31, 2013:
    - 363,282.36 euros.
- Amount of trading fees for Natixis:
    - Annual flat rate: 30 K€.

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

During 2013, Parrot awarded Natixis two share buyback mandates for a total of 382,416 Parrot shares. All the shares were acquired at an average price of 22.35 euros. No securities were awarded by this date.

► Share buyback program implemented under the mandate from May 15, 2013

As authorized by the extraordinary general meeting on June 6, 2012 (9th resolution), the Company entrusted Natixis Securities on May 15, 2013, with effect from May 17, 2013, for a period ending on the day of Parrot's general meeting convened to approve in 2013 the financial statements for the year ended December 31, 2012, with a mandate to buy back a maximum of 200,000 shares, representing 1.58% of the capital, based on a maximum quantity of securities per session variable depending on the opening share price. The maximum purchase price must not exceed 41.125 euros.

This mandate aims to award stock options and/or bonus shares to staff or corporate officers or reduce the capital. Under this program, the Company had acquired 17,584 shares at an average price of 22.90 euros at December 31, 2013. No securities were awarded at December 31, 2013.

► Share buyback program implemented under the mandate from June 4, 2013

As authorized by the extraordinary general meeting on June 4, 2013 (8th resolution), the Company entrusted Natixis Securities on June 4, 2013, with effect from June 5, 2013, for a period ending by the latest on the day of Parrot's general meeting convened to approve in 2014 the financial statements for the year ended December 31, 2013, with a mandate to buy back a maximum of 182,416 shares, representing 1.44% of the capital, based on a maximum quantity of securities per session variable depending on the opening share price. The maximum purchase price must not exceed 41.125 euros.

This mandate aims to award stock options and/or bonus shares to staff or corporate officers or reduce the capital. Under this program, the Company had acquired 182,416 shares at an average price of 21.11 euros at December 31, 2013. No securities were awarded at December 31, 2013. However, 20,000 units were awarded to the Company's key staff by the Board of Directors on November 14, 2013, in accordance with the regulations for a loyalty and incentive plan set up within the Company. These units are likely to give rise to a payment in Parrot shares in 2016, based on one unit per share, subject to compliance with a presence and performance condition for certain key executives.

21.1.4. Potential capital

The breakdown of the Company's capital and voting rights on the filing date for the reference document following the exercising of securities entitling holders to access the Company's capital is indicated in Section 18.1.1. above "Current breakdown of the share capital and voting rights" in this reference document.

21.1.5. Authorized capital not issued

Detailed information on the potential capital is provided in 17.2 "Company founder equity warrants, stock options and bonus shares for Group staff", while noting that no dilutive instruments have been awarded outside of the Group's employees.

The following table summarizes the valid delegations granted by general shareholders' meetings, as well as the uses made of them during previous financial years and 2013.

- Extraordinary general meeting on June 6, 2012

Delegation given to Board of Directors	Term of the delegation	Maximum nominal amount of capital increase	Use made in 2013
1 – Authorization for the Board to reduce the capital through the cancellation of shares	18 months from Jun 6, 2012, i.e. through to Dec 6, 2013	10% per 24-month period	200,000 shares cancelled (Board's decision on May 15, 2013)
2 – Authorization for the Board to award Company stock options or warrants	Through to the general meeting to approve the financial statements for the year ended Dec 31, 2013	1.5% of the capital, i.e. 190,512 options	10,500 share warrants awarded (Board's decision on Feb 20, 2013 and Chairman's decision on Mar 8, 2013), 24,000 share warrants awarded (Board's decision on May 15, 2013 and Chairman's decision on May 31, 2013), i.e. 34,500 share warrants awarded during the year ended Dec 31, 2013, 133,012 share warrants still to be awarded.
3 – Authorization for the Board to freely award Company shares	Through to the general meeting to approve the financial statements for the year ended Dec 31, 2013	0.5% of the capital, i.e. 63,504 bonus shares	23,700 bonus shares awarded (Board's decision on Feb 20, 2013), 13,300 bonus shares awarded (Board's decision on May 15, 2013), i.e. 37,000 bonus shares awarded during the year ended Dec 31, 2013, 9,454 bonus shares still to be awarded.
4 – Delegation of authority for the Board to issue ordinary Company shares and marketable securities entitling holders to access ordinary Company shares and/or the awarding of debt securities, with preferential subscription rights maintained for shareholders	26 months from Jun 6, 2012, i.e. through to Aug 6, 2014	915 K€	NA
5 – Delegation of authority for the Board to issue ordinary Company shares and marketable securities entitling holders to access ordinary Company shares and/or the awarding of debt securities, with preferential	26 months from Jun 6, 2012, i.e. through to Aug 6, 2014	915 K€	NA

subscription rights waived for shareholders in connection with a public offering			
6 – Delegation of authority for the Board to issue ordinary shares or marketable securities in connection with an offer covered under Section II of Article L.411-2 of the French monetary and financial code	26 months from Jun 6, 2012, i.e. through to Aug 6, 2014	20% of the capital/year	NA
7 – In the event of a capital increase with preferential subscription rights waived for shareholders, authorization for the Board to increase the number of securities to be issued	26 months from Jun 6, 2012, i.e. through to Aug 6, 2014	15% of the amount of the initial capital increase	NA
8 – Delegation of authority for the Board to issue ordinary Company shares and marketable securities entitling holders to access ordinary Company shares in the event of a public exchange offer initiated by the Company	26 months from Jun 6, 2012, i.e. through to Aug 6, 2014	915 K€	NA
9 – Delegation of authority for the Board to issue ordinary Company shares in return for contributions in kind made to the Company and comprising capital securities or marketable securities with an equity component	26 months from Jun 6, 2012, i.e. through to Aug 6, 2014	10% of the capital on Jun 6, 2012	NA
10 – Delegation of authority for the Board to increase the Company's capital through the incorporation of reserves, profits or premiums	26 months from Jun 6, 2012, i.e. through to Aug 6, 2014	915 K€	NA
11 – Delegation of authority for the Board to carry out capital increases reserved for staff who are members of a company savings scheme	26 months from Jun 6, 2012, i.e. through to Aug 6, 2014	50 K€	NA

Overall cap on authorizations: 915 K€.

Extraordinary general meeting on June 4, 2013

Delegation given to Board of Directors	Term of the delegation	Maximum nominal amount of capital increase	Use made in 2013
1 - Authorization for the Board to reduce the capital through the cancellation of shares in accordance with Article L.225-209 of the French commercial code	18 months from Jun 4, 2013, i.e. through to Dec 31, 2014	10% per 24-month period	NA
2 - Authorization for the Board to award Company stock options or warrants to employees and/or certain corporate officers of the Company or related companies	From Jun 4, 2013 to the general meeting to approve the financial statements for the year ended Dec 31, 2013	1% of the capital	NA
3 - Authorization for the Board to freely award existing Company shares and/or Company shares to be issued to employees and/or certain corporate officers of the Company or related companies	From Jun 4, 2013 to the general meeting to approve the financial statements for	1% of the capital	NA

	the year ended Dec 31, 2013		
4 - Delegation of authority for the Board to carry out capital increases through the issuing of shares with preferential subscription rights waived for members of a company savings scheme in accordance with Articles L.3332-18 of the French employment code	26 months from Jun 4, 2013, i.e. through to Aug 4, 2015	50 K€	NA

Overall cap on authorizations: 915 K€.

21.1.6. Information on conditions governing the capital

NA.

21.1.7. Changes to the share capital

At December 31, 2013, the Company's share capital comprised 12,655,293 shares, representing a reduction of 153,950 shares following the cancellation of 200,000 shares, and the exercising of 46,050 stock options by Group staff.

■ Details of changes to the share capital during the last two fiscal years

Date	Operation	Number of shares issued	Par value of shares (€)	Nominal amount of change in capital (€)	Issue, contribution or merger premium (€)	Aggregate amount of share capital (€)	Aggregate number of shares
Feb 15, 2012	Capital reduction	200,000	0.1524	-30,480	-4,513,520	1,934,920	12,692,145
Nov 15, 2012	Exercising of stock options	46,457	0.1524	7,080	678,363	1,942,001	12,738,602
May 15, 2013	Capital reduction	200,000	0.1524	-30,480		1,911,521	12,538,602
May 15, 2013	Exercising of stock options	86,958	0.1524	13,252	655,528	1,924,773	12,625,560
Nov 14, 2013	Exercising of stock options	23,289	0.1524	3,549	162,688	1,928,322	*12,648,849

* The difference recorded for the capital at December 31, 2013 is linked to the Board of Directors' meeting held on February 26, 2013 acknowledging this capital increase, so following the end of the reporting period.

21.2. Bylaws

The bylaw provisions that have been adopted by the general shareholders' meeting and are in force are presented hereafter in full.

The latest amendments made following the general meeting on June 4, 2013 (13th resolution) concern Article 20 of the bylaws, which was intended to give shareholders the option to:

- Ask for points to be included on the agenda for general meetings (under the same conditions as the inclusion of draft resolutions),
- (i) Be represented at general meetings by the individual or legal entity of their choice and (ii) notify the Company of the appointment and dismissal of proxies electronically, as the Company's shares are admitted for trading on a regulated market.

In addition, the provisions set out in the French securities regulator (AMF) recommendation 2008-12 "Guide for preparing reference documents for small and mid caps" are detailed following the bylaws.

► **Article 1 - Form**

The company is limited.

It is governed by the laws and regulations in force, and more specifically the provisions of the French commercial code (Code de commerce) relating to commercial companies, in addition to these bylaws.

► Article 2 - Corporate purpose

The Company's purpose, both in France and abroad, is as follows:

- Design, development, verification, control, manufacturing, marketing, distribution and leasing of electronic and IT products (particularly integrated chipsets) for industry and consumers;
- Performance and marketing of technical and economic research in the electronics and IT sectors;
- Design, development, manufacturing, marketing and distribution of optical components, optical subsets or optoelectronics for industry or consumers;
- Development, manufacturing and sale of optical instruments for industry and consumers;
- Research, development and marketing of all systems using the electrowetting principle or related electrokinetic principles in all areas of interest for such systems: medical, biological, physics or chemical instrumentation;
- All directly or indirectly, on its own behalf or on behalf of third parties, either alone or with third parties, through the creation of new companies, contributions, partnerships, subscriptions, purchases of securities or corporate rights, mergers, alliances, joint ventures, leasing, takeover, management leasing of any business assets, establishments, property, rights or other elements;
- And generally, any financial, commercial, industrial, civil, real estate or property operations that may be directly or indirectly related to any of the specific purposes or any similar or related purposes, or likely to facilitate the development of corporate assets.

► Article 3 - Company name

The company name is "Parrot".

In all documents originating from the Company and intended for third parties, the company name must be preceded or followed immediately by the words “société anonyme" ("limited company") or the abbreviation "S.A.", with a statement indicating the amount of the share capital.

► Article 4 - Registered office

The registered office is located at 174-178, Quai de Jemmapes, 75010 Paris, France.

It may be relocated to any other venue in the same *département* or a neighboring *département* following a decision by the Board of Directors, subject to such a decision being ratified at the next ordinary general meeting, or to any other location following a decision by an extraordinary general meeting.

When a relocation is decided by the Board of Directors in accordance with French law, the Board may amend the bylaws accordingly.

► Article 5 – Duration

The duration of the Company has been set at 99 years, starting from the date of its entry into the trade and companies register, unless extended or dissolved earlier.

► Article 6 – Share capital[8]

The share capital is set at 1,924,773.02 euros, split into 12,625,560 fully paid-up shares.

► Article 7 - Changes to the share capital

The share capital may be increased, reduced or redeemed by any means and in any way authorized under French law.

► Article 8 - Conditions for shares to be paid-up

The shares subscribed for in cash either on incorporation or as part of a capital increase must be paid up for at least half of their par value on subscription at the time of incorporation and one quarter of their par value for subsequent capital increases in addition to, when applicable, the entire issue premium.

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[8] The share capital presented here is that from the Company's bylaws dated June 4, 2013 (date of the latest update following the general meeting on the same day). Information on the share capital at December 31, 2013 is notably available in Section 20.2.20.1 “Share capital and issue premium”.

The remaining balance must be paid up on one or more occasions as called by the Board of Directors within five years either from the Company's entry into the trade and companies register, or from the day when the capital increase became definitive.

Calls for funds are brought to the attention of subscribers at least 30 days before the date set for each payment in a notice published in a legal announcement journal or the French official gazette (BALO), followed by a recorded delivery letter for any shareholders who have not paid up the outstanding balance 15 days before the end of the period set.

Any late payment of sums due on the amount not paid up for shares is automatically subject to interest at the legal rate, without the need for any formalities, from the due date, without prejudice to any personal legal action that the Company may take against the defaulting shareholder and any legal enforcement measures.

► Article 9 - Form of the shares

Shares may be held on a registered or bearer basis, as selected by their holders. Their materiality results from their registration in the names of the holders in accounts held to this effect, under the legal terms and conditions, by the Company or its agent for registered shares, and by an authorized intermediary for bearer shares.

► Article 10 - Sale and transfer of shares and other marketable securities issued by the Company

The shares issued by the Company are freely tradable, unless indicated otherwise by any legislative or regulatory provisions.

Ownership of shares results from their registration in an account in the names of their holders in accounts held by the Company or its agent for registered shares, and in accounts held by an authorized intermediary for bearer shares.

With regard to third parties and the Company, shares are transferred based on an inter-account transfer under the legal and regulatory conditions in force. Shares that are not fully paid-up cannot be transferred between accounts.

The stipulations of this article apply in general for all marketable securities issued by the Company.

► Article 11 - Rights and duties associated with shares

1) Each share entitles the holder to a part of the profits and corporate assets proportional to the share in the capital that it represents.

In addition, it gives the holder the right to vote and be represented at general meetings, under the legal conditions provided for under French law and the Company bylaws.

2) Shareholders are only liable for up to the nominal amount of the shares that they own; beyond this, no further funds may be requested.

The rights and duties associated with shares correspond to the holder at all times.

Owning one share entitles holders as of right to be covered by the Company's bylaws and decisions taken by the general meetings.

3) Heirs, creditors, legal claimants or other representatives of a shareholder may not request the stamping of seals on the Company's assets, request the sharing or licitation of such assets, or interfere in the administration of the Company. For the exercising of their rights, they must do so with reference to the corporate inventories and the decisions of the general meeting.

4) Whenever it is necessary to own several shares to exercise any right, in the event of an exchange, consolidation or allocation of shares, or further to a capital increase or reduction, merger or other corporate operation, the owners of isolated shares, or shares below the number required, will only be able to exercise such rights if they personally ensure the consolidation and, as relevant, the acquisition or sale of any shares required.

► Article 12 - Indivisibility of shares – Beneficial ownership – Bare ownership

1) The shares are indivisible with regard to the Company.

Joint owners of shares are required to be represented in relation to the Company by only one of them, who is considered as the sole owner, or by a single proxy. In the event of a disagreement, the sole representative may be appointed by the courts at the request of the first joint owner to refer the matter to the courts.

2) Unless the Company is informed of an agreement indicating otherwise, the voting right belongs to the beneficial owner in ordinary general meetings and the bare owner in extraordinary general meetings.

► Article 13 - Identification of shareholders – Disclosure thresholds

1) With a view to identifying holders of securities on a bearer basis, the Company, under the legal and regulatory terms and conditions in force, may at any time ask, in return for remuneration, the organization responsible for clearing the securities for the name or, if this concerns a legal entity, the corporate name, the nationality and the address or, as relevant, the registered office of holders of securities entitling them immediately or at a later time to vote at its general meetings, as well as the quantity of securities held by each one, and if necessary, any restrictions which may apply to the securities.

2) In addition to the legal disclosure requirement set out in Article L. 233-7 of the French commercial code, any individuals or legal entities acting alone or in concert that directly or indirectly acquire a number of shares representing 2.5% of the Company's capital or voting rights, or any multiple of this percentage, is required to inform the Company of the total number and the percentage of shares and voting rights that they hold, indicating its identity and that of any parties acting in concert with it, by fax, confirmed on the same day with a letter sent recorded delivery with delivery receipt to the Company's registered office, within five trading days of any such thresholds being exceeded.

This obligation applies under the same conditions as those set out in the previous paragraph each time the fraction of the share capital or voting rights drops below one of the thresholds mentioned in the previous paragraph.

In the event of failure to comply with the requirements stipulated in the previous two paragraphs, any shares exceeding the fraction that should have been disclosed will forfeit their voting rights for any general meeting held until the end of a two-year period following the date when the disclosure issue was resolved. With the exception of cases when one of the thresholds provided for under Article L. 233-7 of the French commercial code are exceeded, voting rights will only be suspended further to a request by one or more shareholders holding at least 2.5% of the Company's capital and voting rights, recorded in the general meeting's minutes.

An amendment of this article is proposed in the draft resolution for the general meeting on June 11, 2014 (20th resolution); it concerns an alignment with the legal timeframes in force, changing from five days to four days.

► Article 14 - Board of Directors

The Company's administration is handled by a Board of Directors made up of a minimum of three and a maximum of 12 members.

For the duration of their term-of-office, each director must own at least ONE share (1).

Directors are appointed for a six (6) year term of office.

In the event of one or more director seats becoming vacant further to their death or resignation, the Board of Directors may, between two general meetings, make provisional appointments as provided for under French law.

However, when the number of directors in office falls below the minimum legally required, the directors still in office or, failing that, the statutory auditors must immediately convene an ordinary general shareholders' meeting with a view to completing the Board's headcount.

The provisional appointments made by the Board of Directors are submitted to be ratified at the next general meeting.

If provisional appointments are not ratified by the general meeting, the deliberations and proceedings carried out by the directors appointed provisionally, or with their support, will nevertheless remain valid.

Directors appointed to replace another member will remain in office for the time left to run on their predecessor’s term.

All outgoing members may be reappointed. Notwithstanding the previous provisions, the number of individual directors and permanent representatives of corporate bodies over the age of 70 may not exceed one third of the directors in office (rounded up to the nearest whole number, as relevant) further to each ordinary annual general meeting convened to approve the corporate financial statements.

Article 15 - Board of Directors' deliberations

1) Board meetings may be convened by any means, including verbally, either at the registered office or at any other location indicated in the notice to attend.

2) Deliberations are subject to the quorum and majority conditions provided for under French law. In the event of a tie, the Chairman of the session has a casting vote.

3) Except when the Board is convened to carry out the operations provided for under Articles L. 232-1 and L. 233-16 of the French commercial code, the Board of Directors' bylaws may consider directors participating in the meeting using videoconferencing or other telecommunications facilities enabling their identification and guaranteeing their effective participation, under the legislative and regulatory conditions in force, to be present for calculating the quorum and majority.

Article 16 - Powers of the Board of Directors

The Board of Directors determines the strategies for the Company's business and oversees their implementation. Subject to the powers expressly granted for shareholder meetings and in accordance with the corporate purpose, it reviews all matters concerning the Company's effective operations and rules on the affairs concerning it through its deliberations.

In dealings with third parties, the Company is committed by actions taken by the Board of Directors that do not fall within the corporate purpose, unless it is able to prove that the third party knew that the actions in question exceeded this purpose or that it could not be unaware of this in view of the circumstances, with the publication of the bylaws alone not enough to constitute such proof.

The Board of Directors carries out the controls and verifications that it deems necessary. All directors receive all the information required for their missions and may be provided with any documents that they believe necessary.

The Board of Directors may adopt a set of bylaws specifying the conditions under which it operates.

The Board of Directors may decide to create committees tasked with looking into matters submitted to them by the Board or its chairman for their opinion and review. It determines the makeup and remits of the committees operating under its responsibility. It also determines any compensation to be awarded to the people making up such committees.

Article 17 - Chairman of the Board of Directors

From among its individual members, the Board of Directors elects a Chairman and sets his or her term-of-office and compensation.

The Chairman is appointed for a term of office that may not exceed the term of his or her directorship, and may be reappointed.

The age limit for serving as Chairman of the Board of Directors is 65.

The Chairman of the Board of Directors organizes and oversees its work, which he or she reports on at the general meeting. He or she ensures that the Company's various bodies operate effectively and more specifically that the directors are able to perform their missions.

The Chairman of the Board of Directors is informed by the party concerned about agreements concerning day-to-day operations and entered into under normal conditions. The Chairman provides the Board members and the statutory auditors with a list and an indication of the purpose of such agreements.

Article 18 - Executive Management

Conditions for performance:

The Company's executive management is performed, under his or her responsibility, either by the Chairman of the Board of Directors, or by any other individual appointed by the Board of Directors, serving as the Chief Executive Officer.

The Board of Directors chooses between the two executive management options available, under the following conditions:

- The choice is made by the Board of Directors ruling based on a majority of its members,
- The option selected will only be able to be called into question when reappointing or replacing the Chairman of the Board of Directors or at the end of the Chief Executive Officer's term of office.

The shareholders and third parties are informed about the Board's choice under the legal conditions in force.

When the Company's executive management functions are performed by the Chairman of the Board of Directors, the provisions relative to the Chief Executive Officer are applicable for the Chairman.

Chief Executive Officer and Deputy Chief Executive Officer:

The Company's executive management is performed by the Chief Executive Officer. As proposed by the Chief Executive Officer, the Board of Directors may appoint one or more individuals to support the Chief Executive Officer, serving as Deputy Chief Executive Officers. Up to five Deputy Chief Executive Officers may be appointed.

The age limit for serving as Chief Executive Officer or Deputy Chief Executive Officer is set at 65.

The Chief Executive Officer may be dismissed by the Board of Directors at any time. The same is true, as proposed by the Chief Executive Officer, for Deputy Chief Executive Officers. If the dismissal decision is taken without any reasonable grounds, it may result in damages, unless the Chief Executive Officer is serving as Chairman of the Board of Directors.

When the Chief Executive Officer ceases or is unable to perform these functions, the Deputy Chief Executive Officers maintain, unless decided otherwise by the Board, their functions and remits until the new Chief Executive Officer is appointed.

The Board of Directors determines the compensation for the Chief Executive Officer and any Deputy Chief Executive Officers.

The Chief Executive Officer has the broadest powers to act under any circumstances on behalf of the Company. He or she exercises these powers within the limits of the corporate purpose and subject to the powers expressly applicable for shareholder meetings and the Board of Directors under French law.

He or she represents the Company in its dealings with third parties. The Company is committed by actions taken by the Chief Executive Officer that do not fall within the corporate purpose, unless it is able to prove that the third party knew that the actions in question exceeded this purpose or that it could not be unaware of this in view of the circumstances, with the publication of the bylaws alone not enough to constitute such proof.

Any decisions by the Board of Directors limiting the Chief Executive Officer's powers are unenforceable against third parties.

As agreed with the Chief Executive Officer, the Board of Directors determines the scope and term of any powers granted to the Deputy Chief Executive Officers. In relation to third parties, the Deputy Chief Executive Officers have the same powers as the Chief Executive Officer.

The Chief Executive Officer or the Deputy Chief Executive Officers may, within the limits set by the legislation in force, delegate the powers that they deem appropriate, for one or more given purposes, to any representatives, even from outside of the Company, taken individually or grouped together in a committee or commission. Such powers may be permanent or temporary, and may or may not include an option to stand in for the person in question. The delegations granted in this way remain fully in force despite the end of office for the person who awarded them.

► Article 19 – Statutory auditors

The ordinary general shareholders' meeting appoints one or more incumbent statutory auditors and one or more deputy statutory auditors for the duration, under the conditions and with the mission set by law.

► Article 20 – General meetings

Ordinary general meeting:

The ordinary general meeting receives the Board of Directors' management report and the statutory auditors' reports, approves the annual financial statements, rules on the appropriation of earnings and the distribution of profits. It appoints and dismisses directors and sets their compensation under the legal and bylaw conditions in force. It appoints the statutory auditors.

The ordinary general meeting rules on the appointment of candidates for the Board of Directors as nominated based on a secret ballot with a simple majority by the employee shareholders, convened to a general meeting on the initiative of the Chairman and Chief Executive Officer, with the option to delegate to the head of HR, whenever the staff of the Company and affiliated companies hold at least 3% of the capital at year-end through a collective management structure.

The term of office for the director representing employees is identical to that for the other members of the Board of Directors, it being understood however that the termination of the person's employment contract renders the office null and void.

The ordinary general meeting grants the Board of Directors the authorizations which the latter deems relevant to request and which are not reserved for the extraordinary general meeting.

In general, the ordinary general meeting rules on all matters that do not concern amendments to the bylaws.

An ordinary general meeting is held each year within six months of the previous year-end, except for in the event of a court ruling extending this timeframe.

Extraordinary general meeting:

The extraordinary general meeting may amend any of the provisions of the bylaws. However, it may not increase the commitments of shareholders or change the Company's nationality, except for under the conditions set out by French law or international agreements.

Only the extraordinary general meeting is authorized to check and approve any contributions in kind and specific benefits.

Convening and assembly of general meetings:

General meetings are convened and deliberate under the conditions set by French law.

They are held at the registered office or any other venue indicated in the notice to attend.

Agenda:

The agenda for the general meeting is set by the author of the notice to attend.

However, one or more shareholders or the works' council may, under the conditions determined by the legislative and regulatory provisions in force, ask for points and draft resolutions to be included on the agenda for general meetings.

The meeting may not deliberate on any matters that are not included in the agenda. Nevertheless, it may at any time dismiss and replace one or more directors.

The agenda for a general meeting may not be modified when meetings are convened for a second time.

Access to general meetings – proxies:

1) The general meeting comprises all the shareholders, irrespective of the number of shares held, provided that they have been fully paid-up. All shareholders are entitled to attend general meetings and take part in deliberations, either personally or through a proxy, irrespective of the number of shares held, upon justification of their status.

2) If shareholders are unable to attend general meetings in person, they may choose one of the following three options:

- Be represented by another shareholder or their spouse;
- Vote by correspondence using a paper or electronic form, in accordance with regulatory requirements, which may be obtained under the conditions indicated in the notice to attend for the meeting; paper correspondence voting forms will only be taken into consideration if they reach the Company at least three (3) days before the meeting date; electronic correspondence voting forms may be received by the Company up until 3 pm (Paris time) on the day before the general meeting;
- Send a proxy form to the Company without indicating any representative; the chairman of the general meeting will vote in favor of adopting the draft resolutions put forward or approved by the Board of Directors, and will vote against adopting any other draft resolutions; to vote in any other way, shareholders will need to select a proxy, who agrees to vote as indicated by the shareholders in question.

Holders of securities referred to in Paragraph 7 of Article L. 228-1 of the French commercial code may be represented by a registered intermediary under the terms and conditions required by French law.

3) The right to take part in general meetings is subject to securities being registered in the name of the shareholder or their intermediary by midnight (Paris time) on the third working day before the meeting, either in the registered securities accounts held by the Company, or in the bearer securities accounts held by an authorized intermediary, as justified in accordance with the regulations in force.

Under this condition, all shareholders are entitled to take part in meetings, irrespective of the number of shares held, either in person, using videoconferencing facilities or any other electronic means of communication applicable under the laws and regulations in force, as mentioned in the notice to attend, by returning a correspondence voting form or appointing a proxy.

The Board of Directors may shorten or cancel the timeframes set out above.

The Board of Directors may, if it deems it relevant, provide shareholders with personal admission cards in their names and require them to produce these cards.

Attendance sheet – Office – Minutes:

1) An attendance sheet is filled out for each general meeting containing the information required under French law.

The attendance sheet must be signed by the shareholders that are present and the proxies. It must be certified as accurate by the meeting office. The proxies given to representatives must be appended to the attendance sheet.

The attendance sheet and the proxies appended to it must be kept at the registered office and disclosed upon request under the legal and regulatory conditions in force.

2) Meetings are chaired by the Chairman of the Board of Directors or, in his or her absence, by the longest-standing director present at this meeting. For meetings convened by the statutory auditors or a representative of the courts, the meeting is chaired by the party that convened it. Failing that, the meeting elects its Chairman itself.

- The role of scrutineer is performed by the two present and willing shareholders with the largest number of votes, both through themselves and as proxies.
- The office created in this way appoints a secretary, who may be chosen from outside of the shareholders.
- The members of the office are responsible for checking, certifying and signing the attendance sheet, ensuring that discussions take place effectively, resolving any incidents during sessions, checking the votes made, ensuring that they are compliant, and ensuring that the minutes are drawn up.

3) Minutes are sent out and copies or extracts from deliberations are issued and certified in accordance with French law.

Quorum and voting at meetings:

1) At general meetings, each member of the meeting is entitled to one voting right for each share owned or represented, without any restrictions.

2) An ordinary general meeting's deliberations may only be valid if the shareholders present or represented, or voting by correspondence, own at least one fifth of the shares entitled to voting rights at the first meeting convened.

- No quorum is required when convened for the second time. It rules subject to a majority of votes of the shareholders present, represented or voting by correspondence.
- The quorum is calculated based on all the shares comprising the share capital, after deducting any shares not entitled to voting rights under the legal conditions or the stipulations in the present bylaws.

3) The extraordinary general meeting's deliberations may only be valid if the shareholders present, represented or voting by correspondence, own at least one quarter of the shares entitled to voting rights at the first meeting convened, and one fifth when convened for a second time. In the event of failure to reach the latter quorum, the second meeting may be postponed by up to two months as of the date on which it had been convened.

- It rules subject to a two-thirds majority of the votes of the shareholders present, represented or voting by correspondence.
- In the event of a capital increase through the incorporation of reserves, profits or issue premiums, the meeting rules under the quorum and majority conditions required for ordinary general meetings.

4) Any shareholders taking part in general meetings using videoconferencing or other telecommunications resources making it possible to identify them under the regulatory conditions in force will be deemed to be present for calculating the quorum and majority.

► Article 21 - Financial years

The financial year runs from January 1 to December 31 each year.

► Article 22 - Distribution of profits

After having approved the financial statements and noted the existence of a distributable profit, as defined by French law, the general meeting decides to allocate this profit to one or more reserve accounts, for which it determines their allocation or use, to retain this profit or to distribute it. After deducting previous losses if relevant, at least five percent (5%) of the profit for the year is deducted to make up the legal reserve fund. This deduction is no longer compulsory when the amount of the reserve fund is equal to one tenth of the share capital.

In addition, the general meeting may decide to pay out any sums deducted against the reserves available to it, expressly indicating the reserve headings against which deductions are made. However, dividends are deducted in priority against the distributable profit for the year.

The general meeting may grant each shareholder, for all or part of the dividend or interim dividends paid out, an option for the dividend or interim dividends to be paid in cash or in shares.

► Article 23 - Liquidation

1) Subject to compliance with the mandatory legal provisions in force, the Company's liquidation will be governed by the rules set out hereafter, while noting that Articles L. 237-14 to L. 237-31 of the French commercial code will not apply.

2) At an ordinary general meeting, ruling under the quorum and majority conditions applicable for ordinary general meetings, the shareholders appoint one or more liquidators, selected from amongst themselves or externally, and determine their duties and remuneration.

This appointment terminates the directors' terms of office and, unless the general meeting decides otherwise, the offices of the statutory auditors.

The ordinary general meeting can still dismiss or replace the liquidators and extend or restrict their powers.

Unless indicated otherwise, the liquidators' mandate is given for the duration of the liquidation.

3) Jointly or separately, the liquidators have the broadest powers to realize any of the Company's assets at the prices, costs and conditions they consider relevant, in addition to extinguishing its liabilities.

The liquidator(s) may make interim payments while the liquidation is underway and, at the end of the liquidation process, distribute the balance available without being bound by any formalities in terms of disclosures or depositing funds.

Any sums that are attributable to shareholders or creditors but have not been claimed by them will be transferred to the *Caisse des Dépôts et Consignations* in the year following the end of the liquidation process.

Even separately, the liquidators are authorized to represent the Company in relation to third parties, particularly public or private organizations, and to initiate legal proceedings in all jurisdictions as either claimant or defendant.

4) During the liquidation, general meetings are held as often as required in the Company's best interests, without it being necessary to comply with the terms of Articles L. 237-14 of the French commercial code.

General meetings can be convened under valid conditions by a liquidator or by various shareholders representing at least one tenth of the share capital.

General meetings are chaired by one of the liquidators or, if they are absent, by the shareholder with the highest number of votes. They deliberate under the same quorum and majority conditions as prior to the dissolution.

5) At the end of the liquidation, the shareholders, in an ordinary general meeting, rule on the final liquidation account, the discharge for the liquidators' management, and the discharge concerning their mandates.

Under the same conditions, they acknowledge the closing of the liquidation process.

If the liquidators neglect to convene the general meeting, the president of the commercial court, in a summary ruling, may, if requested by any shareholder, appoint a proxy to convene the meeting.

If the closing general meeting can deliberate or if it refuses to approve the liquidation accounts, it is governed by the commercial court's ruling, as requested by the liquidator or any stakeholder involved.

6) The remaining amount of shareholders' equity, following repayment of the par value of shares, is also split between all the shares.

When the share capital is repaid, the cost for any withholding taxes that must be retained by the Company will be split between all the shares indistinctly on a uniform basis in proportion to the capital repaid for each one of them, without having to factor in the different issue dates or the origins of the various shares.

► Article 24 - Disputes

Any disputes that may arise during the life of the Company or during its liquidation, either between the shareholders, or between the Company and its shareholders, concerning the interpretation or application of these bylaws, or generally in respect of company business, will be submitted to the jurisdiction of the competent courts under common law.

21.2.1. Company's corporate purpose

See **Article 2** of the Company's bylaws, presented in Section 21.2 "Bylaws".

21.2.2. Administrative, management and supervisory bodies

See **Articles 14, 15, 16, 17 and 18** of the Company's bylaws, presented in Section 21.2 "Bylaws".

21.2.3. Rights and obligations associated with the shares

See **Articles 11 and 12** of the Company's bylaws, presented in Section 21.2 "Bylaws".

21.2.4. Changes to shareholder rights

The rights of shareholders as presented in the Company's bylaws may only be amended at an extraordinary general meeting of the Company's shareholders. Any decision to increase shareholders' commitments must be taken unanimously (cf. Article 20 of the Company's bylaws).

21.2.5. Conditions for convening and admission at general meetings

See **Article 20** of the Company's bylaws, presented in Section 21.2 "Bylaws".

21.2.6. Clause likely to influence the Company's control

The Company's bylaws do not provide for any arrangements making it possible to delay, defer or prevent a change of control.

21.2.7. Disclosure threshold

See **Article 13** of the Company's bylaws, presented in Section 21.2 "Bylaws".

21.2.8. Specific stipulations governing changes to the capital

■ Article 7 of the Company's bylaws: Change of the share capital

See **Article 7** of the Company's bylaws, presented in Section 21.2 "Bylaws".

XXII. Significant contracts

The Group has not entered into any significant contracts over the past three years other than those signed within the normal framework of its business, with the exception of the following contract:

22.1. Contract to acquire the company senseFly

On July 23, 2012, Parrot acquired a 60.4% stake in senseFly, a start-up based in Ecublens (Switzerland), which has developed and sells a range of ultralight commercial drones, equipped with aerial imaging and mapping solutions. This acquisition made it possible to access a complementary area of expertise in relation to the retail Parrot AR.Drone products. This company has been fully consolidated.

The 39.6% interest held by the minority shareholders in senseFly is subject to “combined” call and put options that may be exercised in 2016 with an exercise price based on the revenues and operating margin achieved by senseFly in 2015. Early exercising is permitted in certain cases following the departure of minority shareholders who are members of senseFly’s senior management team.

Parrot’s obligation to buy back the securities is recognized under other fixed asset payables (classed as non-current liabilities) for a total of CHF 16.6 million (13.8 M€) at December 31, 2013, equal to the discounted value of the estimated exercise price, based on the levels of margins and revenues currently included in senseFly’s business plan at the time of this acquisition.

22.2. Contract to acquire the company Pix4D

On October 10, 2012, Parrot acquired a 31.0% stake in Pix4D for 1.8 M€. Pix4D, a company based in Lausanne (Switzerland), is specialized in 2D and 3D mapping. The subsidiary Pix4D has been consolidated on an equity basis since January 1, 2013 (at December 31, 2012, the securities were classed as other financial assets). On January 29, 2014, Parrot’s interest in Pix4D was increased to 50.1%, with an option to buy out the remaining capital in 2017.

On the date when this reference document was published, the financial information concerning the option to buy out Pix4D’s remaining capital had not yet been processed. It will be included in the financial report for the first half of 2014.

XXIII. Information from third parties

The external sources referred to in the present reference document are detailed as footnotes whenever an external source is given for reference.

XXIV. Public documents

Copies of this reference document are available free of charge from the Company, or may be downloaded from the internet sites of the Company (www.parrot.com) and the AMF (www.amf-france.org).

All of the Company's legal and financial documents that must be made available to shareholders in accordance with the regulations in force may be consulted at the Company's registered office.

Copies may be sent out free of charge after submitting a request to Parrot, Investor Relations, 174 quai de Jemmapes, 75010 Paris, France.

XXV. Equity interests

All the equity interests are presented in detail in Section VII "Structure" in this reference document.

In addition, readers can refer to Section 20.2.3 "Note 3 – Basis for consolidation", and the section 20.4.3.3 "Note 3 – Balance sheet information" on "Subsidiaries and equity interests" in this reference document.

Readers are also invited to refer to Section 4.3.3 "Risk relating to treasury stock and equity interests" in this reference document.

After year-end 2013, Parrot also acquired interests in start-ups specialized in commercial and civil drones, with information provided in Section 20.2.33 "Note 33 – Post-balance sheet events" in this reference document.

XXVI. Information published during the past 12 months

26.1. Regular and one-off disclosures

In connection with its financial communications, the following information was released in 2013 until the date when this reference document was published.

Date	Title
Feb. 25, 2013	Parrot joins forces with Volvo Cars
Apr. 12, 2013	2013 first-quarter revenues
May 16, 2013	2013 first-quarter earnings
Jun. 06, 2013	Parrot ASTEROID Market - Tom Tom, Waze and navfree. The widest selection of navigation solutions!
Jul. 29, 2013	2013 second-quarter earnings
Sept. 03, 2013	McLaren chooses Parrot for its new connected infotainment system
Nov. 15, 2013	2013 third quarter earnings
Jan. 08, 2013	CES 2014: the best technologies for playing, communicating, flying
Feb. 27, 2014	2013 fourth-quarter earnings
Feb. 27, 2014	Further progress with commercial and civil drones
Mar. 31, 2014	Parrot's share eligible for SME share-based savings schemes

The regular and permanent press releases above, as well as the earnings presentations, are available at: www.parrot.com/fr/societeparrot/relationsinvestisseurs.

26.2. Information released to the trade and specialized press

In connection with its product communications, the following information was released in 2013:

January

– 2013 CES: the best technologies serving an intelligent lifestyle

February

– Parrot, sponsoring "POUPOUCINETTE", competing to win the 2013 Raid 4L Trophy
– Parrot joins forces with Volvo Cars to supply "Sensus Connected Touch", an open and connected infotainment solution on Android™.

March

– Parrot ASTEROID Market: the most advanced application platform for the car
– AR.Race 2 & AR.Rescue 2: test yourself against the community of AR.Drone pilots!

April

– Mother's Day, smart, relevant gifts

May

– Parrot AR.Drone Academy: welcome to the Android™ community!
– Parrot ASTEROID Market: growing number of online services and apps. 24 applications are available tailored for in-car use!
– Parrot AR.Drone 2.0, "Built for the elements" the movie

June

– Parrot ASTEROID Market: TomTom, Waze and Navfree: the widest selection of navigation solutions!
– Parrot establishing itself on the civil drone market

- Parrot AR.Drone 2.0: ever further, quicker, higher!
- Discover the Parrot AR.Drone 2.0 “Power Edition”!

July

- Parrot for Trucks, the handsfree solution for heavy goods vehicles

September

- 2013-2014 EISA Awards: Parrot ASTEROID Tablet named best in-car multimedia and navigation system
- Parrot AR.Drone 2.0 Elite Edition: new look for new adventures!
- The best of wireless technology ready for Christmas
- A ZIK to suit everyone’s style, with the Parrot ZIK Gold Collection
- MINIKIT Neo Glam Edition: new limited-edition ‘fashion’ red look

October

- Parrot FLOWER POWER, your personal gardening assistant!

November

- Free ‘Parrot FLOWER POWER’ application available on the AppStore!
- Lou Reed, sound…rock

26.3. Financial advertising

None.

26.4. Information published in the French official gazette (BALO)

Date	Title	BALO notice number
April 26, 2013	Meeting notice serving as an invitation to attend the general meeting for shareholders and unit holders	1301584
May 01, 2013	Convening of the shareholders' meeting	1301851
July 15, 2013	Approval of the corporate and consolidated financial statements for the year ended December 31, 2012	1304124
December 04, 2013	Issues and listings	1305786

Items published in the official gazette are available on the internet site: http://www.journal-officiel.gouv.fr/balo/.

XXVII. Resolutions for the general meeting on June 11, 2014

27.1. Ordinary general meeting

FIRST RESOLUTION

Approval of the corporate financial statements for the year ended December 31, 2013

The general meeting, ruling under the quorum and majority conditions required for ordinary general meetings, having reviewed the Board of Directors' report on the Company's management and its appendices, its special reports on the option and warrant schemes and bonus shares awarded, and on the share buyback program, as well as the President's report and the statutory auditors' report on the Company's annual financial statements, approves the balance sheet and the financial statements for the year ended December 31, 2013, as presented, with the accounts for the year showing a loss of 12,130,495 euros.

It also approves the transactions reflected in these accounts or summarized in these reports.

It acknowledges that no items of expenditure or expenses covered under Article 39-4 of the French general tax code ("*Code Général des Impôts*") were recorded during the year ended December 31, 2013.

As such, the general meeting discharges the directors and statutory auditors from any liability in respect of their offices for the past year.

SECOND RESOLUTION

Approval of the consolidated financial statements for the year ended December 31, 2013

The general meeting, ruling under the quorum and majority conditions required for ordinary general meetings, having reviewed the Board of Directors' report on the management of the Group formed by the Company and its subsidiaries and the corresponding appendices, as well as the President's report and the statutory auditors' report on the consolidated financial statements for the year ended December 31, 2013, approves, as presented, the consolidated financial statements as per Article L. 233-16 of the French commercial code, drawn up in accordance with IFRS, showing a profit of 1,556,532 euros (net income, Group share).

As such, the general meeting discharges the directors and statutory auditors from any liability in respect of their offices for the past year.

THIRD RESOLUTION

Appropriation of earnings

The general meeting, ruling under the quorum and majority conditions required for ordinary general meetings, approves the Board of Directors' proposal and decides to allocate the loss for the year ended December 31, 2013, totaling 12,130,495 euros, to "retained earnings", which will in this way be increased from 92,219,794 euros to 80,089,299 euros.

In addition, the general meeting acknowledges that no dividends were paid out over the last three years.

FOURTH RESOLUTION

Approval of agreements covered under Article L. 225-38 of the French commercial code

The general meeting, ruling under the quorum and majority conditions required for ordinary general meetings, takes note of the statutory auditors' special report, drawn up in accordance with Article L. 225-38 of the French commercial code, and approves the agreements mentioned therein.

FIFTH RESOLUTION

Appointment of a new director

The general meeting, ruling under the quorum and majority conditions required for ordinary general meetings, decides to appoint Mrs Marie Ekeland, born on August 13, 1975 in Paris (75012), residing at 96, avenue du Maréchal Bizot, 75012 Paris, France, as a director for a six-year period ending further to the general meeting convened in 2020 to approve the financial statements for the year ending December 31, 2019.

The general meeting acknowledges that Mrs Marie Ekeland has confirmed that she would accept the directorship if she was appointed and that she does not hold any offices and is not concerned by any measures that might forbid her from taking on this office.

SIXTH RESOLUTION

Allocation of attendance fees

The general meeting, ruling under the quorum and majority conditions required for ordinary general meetings, sets the total annual amount of attendance allowances at 255,000 euros, to be awarded to directors for their participation in Board of Directors' meetings and meetings of the Board's specialized committees relative to 2013, and any subsequent financial year, until decided otherwise by the general meeting.

SEVENTH RESOLUTION

Authorization given to the Board of Directors to implement a program to acquire the Company's shares in connection with European Commission Regulation 2273/2003 of December 22, 2003 and Article L. 225-209 of the French commercial code, term of authorization, rationale, conditions and maximum limits

The general meeting, ruling under the quorum and majority conditions required for ordinary general meetings and in accordance with the legal provisions in force, and more specifically European Commission Regulation 2273/2003 of December 22, 2003 or any other European regulations that might replace it, and “Articles L.225-209 et seq” of the French commercial code, having reviewed the Board of Directors' report,

Authorizes the Board of Directors, for 18 months as of the present meeting, to acquire or get the Company to acquire its own shares, under the conditions set out in European Commission Regulation 2273/2003 of December 22, 2003 or any other European regulations that might replace it and “Articles L.225-209 et seq” of the French commercial code and those set by the present resolution.

The maximum unit price for purchases may not exceed 41.125 euros.

The Board of Directors may however adjust the abovementioned purchase price in the event of the incorporation of premiums, reserves or profits, resulting in either an increase in the par value of shares, or the creation and free allocation of shares, as well as in the event of a stock split or consolidation, or any other operation modifying the share's par value or relating to shareholders' equity, in order to take into consideration the impact of such operations on the share's value.

The maximum amount of funds set aside for the implementation of this program to buy shares is 20,000 K€.

Such shares may be acquired or transferred at any time, including during a public offering period, subject to this being paid for in cash in full under the conditions and within the limits, particularly in terms of the volumes and prices, provided for under the laws and regulations in force on the date of the operations in question, by any means, notably on the market or on an over-the-counter basis, including through block acquisitions or sales, through the use of derivative financial instruments traded on a regulated market or over-the-counter, or through a public offering, under the conditions set out by the market authorities and at the times deemed relevant by the Board of Directors or the party acting under the Board of Directors' delegation.

The acquisitions made by the Company under the present authorization may not under any circumstances result in the Company directly or indirectly holding more than 10% of the shares comprising its capital.

Such share purchases may be made with a view to any allocation permitted under EC Regulation 2273/2003 and under French law or that might be permitted by French or European law and regulations in the future, notably with a view to:

- Implementing the market practices approved by the French securities regulator (AMF), such as (i) the purchasing of Company shares to be kept and issued again subsequently in exchange, in payment or otherwise in connection with any external growth operations, it being understood that the number of shares acquired with a view to being issued again subsequently in connection with a merger, spin-off or contribution operation may not exceed 5% of its capital, or (ii) the coordination of the market or liquidity of the Company's share by an investment service provider acting under a liquidity agreement in accordance with the compliance charter recognized by the AMF, as well as (iii) any market practices that might be approved subsequently by the AMF or under French law;

- Awarding shares further to the exercising of rights associated with marketable securities entitling holders to access Company shares by any means, immediately or in the future, as well as carrying out any hedging operations relating to the obligations of the Company (or any of its subsidiaries) linked to such marketable securities, under the conditions set out by the market authorities and at the times deemed relevant by the Board of Directors or the party acting under the Board of Directors' delegation;
- Covering stock option and/or bonus share plans (or related plans) for the Group's employees and/or corporate officers, as well as any allocations of shares in connection with a company or group savings scheme (or related plan), company profit-sharing and/or any other forms of allocations of shares to Group employees and/or corporate officers;
- Awarding shares to employees in connection with the profit-sharing agreement, enabling them to share in the Company's growth, and implementing company savings schemes under the conditions provided for under French law, notably Articles L.3332-1 et seq of the French employment code;
- Reducing the Company's capital in accordance with the sixth resolution for the present general meeting, subject to it being adopted.

Each year, the Board of Directors will report to the general meeting on any operations carried out under the present resolution, in accordance with Article L.225-209 of the French commercial code.

The general meeting grants full powers to the Board of Directors, with an option to subdelegate under the legal conditions in force, to implement the present delegation and more specifically carry out any orders on the stock market, enter into any agreements, draw up and amend any documents, particularly in terms of information, perform all formalities, including allocating or reallocating the shares acquired for the various purposes set, and making any filings with the French securities regulator (AMF) and any other bodies and, more generally, doing whatever is necessary.

The general meeting acknowledges that the authorization given under the present resolution cancels and replaces, as of this day and, as relevant, for the section not used by the Board of Directors, the authorization granted previously under the eighth resolution at the ordinary general meeting on June 4, 2013.

27.2. Extraordinary general meeting

EIGHTH RESOLUTION

Authorization for the Board of Directors to reduce the capital through the cancellation of shares, under the provisions of Article L. 225-209 of the French commercial code, term of authorization, maximum limits

The general meeting, ruling under the quorum and majority conditions required for extraordinary general meetings and in accordance with the legal provisions in force, and more specifically Article L.225-209 of the French commercial code, having reviewed the Board of Directors' report and the statutory auditors' special report,

Delegates to the Board of Directors, for an 18-month period from the day of the present general meeting, i.e. through to December 10, 2015, full powers with a view to cancelling, on one or more occasions and for up to 10% of the Company's capital per 24-month period, all or part of the Company shares acquired in connection with the share purchase program authorized under the seventh resolution as presented above or even share purchase programs authorized prior to or following the date of your general meeting.

The general meeting decides that the Board of Directors will have full powers, with the option to delegate under the legal conditions in force, to reduce the capital further to the cancellation of shares, and more specifically determine the definitive amount of the capital reduction, set the corresponding conditions, record the difference between the book value of the shares cancelled and their par value against any reserve or premium accounts, acknowledge their performance and amend the bylaws accordingly, and perform any formalities required.

The present resolution cancels and replaces the ninth resolution from the ordinary and extraordinary general meeting on June 4, 2013.

NINTH RESOLUTION

Authorization for the Board of Directors to grant Company stock options and/or warrants to employees and/or certain corporate officers of the Company or related companies, waiving of their preferential subscription right by shareholders, term of authorization, maximum limits, exercise price and maximum option period

The general meeting, ruling under the quorum and majority conditions required for extraordinary general meetings and in accordance with the legal provisions in force, and more specifically Articles L.225-177 et seq of the French commercial code, having reviewed the Board of Directors' report and the statutory auditors' special report,

(i) Acknowledges that the previous authorization from June 4, 2013 is null and void further to the present general meeting,

(ii) Acknowledges that the number of options able to be awarded under the previous authorization from June 4, 2013 is insufficient to meet the Company's profit-sharing objectives,

(iii) Authorizes the Board of Directors for a period from the present general meeting through to the end of the general meeting ruling on the financial statements for the year ending December 31, 2014, to award, under the conditions set by the present resolution, on one or more occasions, Company stock options or warrants,

1. Each option will entitle holders to subscribe for or acquire one new or existing ordinary share, as relevant. The total number of options that may be awarded under the present resolution may not entitle holders to subscribe for or acquire a number of shares representing more than 0.5% of the Company's capital on the date of your general meeting.
2. The beneficiaries will be eligible employees or corporate officers (subject to compliance with the provisions of Articles L. 225-186-1 and L. 225-197-6 of the French commercial code further to the Law of December 3, 2008) or certain employees or corporate officers (as per Article L. 225-185 Paragraph 4 of the French commercial code) from the Company or related companies or groups as per Article L.225-180 of the French commercial code. The Board of Directors may award the options to some or all of these people.
3. The shares which may be obtained by exercising stock options awarded under the present resolution will need to be acquired by the Company in accordance with Article L. 225-208 of the French commercial code or Article L.225-209 of the French commercial code.
4. The exercise price for stock options or warrants will be set by the Board of Directors on the day when options are awarded, under the conditions set out by Article L.225-177 of the French commercial code for stock warrants and Article L.225-179 of the French commercial code for stock options.
5. The options awarded will need to be exercised within maximum 10 years of the date when they were awarded by the Board of Directors.
6. The general meeting acknowledges and decides, as required, that under the present delegation, the shareholder beneficiaries of stock warrants expressly waive their preferential subscription right for shares that would be issued as such warrants are exercised.
7. The general meeting grants full powers to the Board of Directors to implement the present resolution and more specifically:
   - Set, under the legal conditions and limits in force, the dates when options will be granted;
   - Determine the timeframe during which beneficiaries may exercise their options, as well as the exercise periods for options, for up to a maximum of 10 years;
   - Determine the list of beneficiaries for options, the number of options awarded to each one of them, the conditions for options to be awarded and exercised;
   - Set the conditions for exercising options, and more specifically, limit, restrict or forbid (a) the exercising of options or (b) the sale of shares obtained by exercising options, during certain periods or as of certain events, with this decision able to concern (i) all or part of the options and (ii) all or part of the beneficiaries;
   - Setting the dividend entitlement date, even on a retroactive basis, for new shares resulting from the exercising of warrants;
   - Take, in the cases provided for under French law, any measures required to protect the interests of beneficiaries of warrants in accordance with the conditions set out in Articles L. 225-181 and L. 228-99 of the French commercial code;
   - More generally, with the option to delegate and subdelegate under the legal conditions in force, enter into any agreements, draw up any documents, acknowledge capital increases further to the exercising of warrants, amend the bylaws accordingly, as relevant, perform all the formalities required, notably for listing the securities issued in this way, handling all filings with all relevant bodies and doing whatever else may be necessary.

Each year, the Board of Directors will be required to report to the ordinary general meeting on any operations carried out under the present resolution, in accordance with Article L.225-184 of the French commercial code.

TENTH RESOLUTION

Authorization for the Board of Directors to freely allocate existing shares and/or shares to be issued to employees and/or certain corporate officers of the Company or related companies, waiving of their preferential subscription right by shareholders, term of authorization, maximum limits and vesting periods

The general meeting, ruling under the quorum and majority conditions required for extraordinary general meetings and in accordance with the legal provisions in force, and more specifically Articles L.225-197-1 et seq of the French commercial code, having reviewed the Board of Directors' report and the statutory auditors' special report,

Acknowledges that the previous authorization from June 4, 2013 is null and void further to the present general meeting.

Authorizes the Board of Directors for a period from the present general meeting through to the end of the general meeting ruling on the financial statements for the year ending December 31, 2014, to freely allocate, under the conditions set by the present resolution, existing Company shares or Company shares to be issued on one or more occasions under the following conditions.

1. The total number of existing Company shares or Company shares to be issued and freely awarded under the present resolution may not represent more than 0.5% of the Company's capital on the date of the present meeting.
2. The beneficiaries will be eligible employees or corporate officers (as per Article L.225-197-1 II Paragraph 1 of the French commercial code, and subject to compliance with the provisions of Articles L. 225-186-1 and L. 225-197-6 of the commercial code further to the Law of December 3, 2008) from the Company or related companies or groups as per Article L.225-197-2 of the commercial code, or certain categories of them.
3. The Board of Directors will set, under the legal conditions in force, at the time of each allocation decision, the vesting period further to which any shares will be definitively awarded. This period must be at least two years from the allocation.
4. The Board of Directors will set, under the legal conditions in force, at the time of each allocation decision, the mandatory period for Company shares to be held by beneficiaries, with this period commencing from the definitive allocation of the shares. This period may be no less than two years. However, if the vesting period is greater than or equal to four years, the holding period may be waived by the Board of Directors.
5. The existing shares that may be awarded under the present resolution will need to be acquired by the Company, either within the framework of Article L.225-208 of the French commercial code, or, as relevant, within the framework of the share acquisition program authorized by the seventh resolution submitted at the present general meeting relative to Article L.225-209 of the commercial code, or any share acquisition program that may apply subsequently.
6. The general meeting acknowledges and decides, as required, that under the present delegation, shareholder beneficiaries of free allocations of existing shares or shares to be issued waive (i) their preferential subscription right to the shares that will be issued as shares are definitively awarded, (ii) any entitlement to shares freely awarded under the present delegation, and (iii) any entitlement to the amount of reserves and premiums, against which, as relevant, the sum required to free up any new shares will be booked.
7. The general meeting gives full powers to the Board of Directors, within the limits set out above, to implement the present authorization and more specifically:
   - Determine the identity of beneficiaries, the criteria for allocation, the number of shares awarded to each one of them, the terms and conditions for awarding shares, and more specifically the vesting and holding periods for shares awarded in this way;
   - Set, within the legal conditions and limits in force, the dates when bonus shares will be awarded;
   - Decide on the dividend entitlement date, even on a retroactive basis, for newly issued shares;
   - Decide on the conditions under which the number of shares freely awarded will be adjusted in order to safeguard the rights of beneficiaries; and,
   - More generally, with the option to delegate and subdelegate under the legal conditions in force, enter into any agreements, draw up any documents, acknowledge capital increases further to definitive allocations, amend the bylaws accordingly, as relevant, perform all formalities and filings with all relevant bodies, and do whatever else may be necessary.
8. Each year, the Board of Directors will report to the ordinary general meeting on any allocations carried out under the present resolution, in accordance with Article L.225-197-4 of the French commercial code.

ELEVENTH RESOLUTION

Delegation of authority for the Board of Directors to issue ordinary Company shares and marketable securities entitling holders to access ordinary Company shares and/or the awarding of debt securities, with preferential subscription rights maintained for shareholders, term of the delegation, maximum nominal amount of the capital increase

The general meeting, ruling under the quorum and majority conditions required for extraordinary general meetings, and in accordance with the legal provisions in force and more specifically Articles L.225-129-2, L.225-132, L.228-91 and L.228-92 of the French commercial code, having reviewed the Board of Directors' report and the statutory auditors' special report, and having acknowledged that the share capital has been paid up in full,

Delegates to the Board of Directors for a **26-month** period from the present general meeting, its authority to decide, under the conditions set by the present resolution, to issue, on a fee or free basis, with shareholders' preferential subscription right maintained, (i) ordinary Company shares and/or (ii) marketable securities entitling holders, by any means, immediately or in the future, to access ordinary Company shares that currently exist or are to be issued and/or (iii) marketable securities entitling holders to be awarded debt securities, which may be subscribed for either in cash or through offsetting receivables.

1. The maximum nominal amount of the increase in the Company's capital which may be carried out, immediately or in the future, as a result of all the issues decided on under the present delegation is set at **750,000 euros**, it being understood that this amount is booked against the cap set in the seventeenth resolution and does not include the nominal value of the Company shares to be issued, as relevant, for any adjustments made in accordance with French law and the contractual stipulations in order to protect the holders of rights associated with marketable or other securities entitling them to access Company shares.

2. The marketable securities entitling holders to access the Company shares issued in this way may comprise debt securities or be associated with the issuing of such securities, or even allow them to be issued as intermediate securities. The debt securities issued under the present delegation may notably comprise subordinated or unsubordinated securities, covering a set period or not, and issued in euros or foreign currencies or in any monetary units established with reference to several currencies. The nominal amount of any debt securities issued in this way may not exceed **100,000,000 euros** or the equivalent of this amount on the date of the decision to issue, it being understood that (i) this amount does not include the premiums for redemption above par, if provided for, (ii) this amount is common to all of the debt securities which may be issued under the present resolution and the twelfth, thirteenth, fourteenth, fifteenth and sixteenth resolutions, as presented hereafter, submitted at the present general meeting, (iii) but this amount is independent and separate from the amount of any debt securities whose issue may be decided on or authorized by the Board of Directors in accordance with Article L.228-40 of the French commercial code. The term of borrowings other than those represented by perpetual securities may not exceed seven years. Borrowings may be based on a fixed or variable interest rate, or zero coupon, or indexed, or even, within the limits applicable under French law, on a capitalization basis, and may be subject to guarantees or sureties granted, redeemed (including through the remittance of the Company's assets), with or without a premium, or amortized, with the securities also able to be bought back on the stock market or subject to an exchange or purchase offer by the Company. The aforementioned conditions may be amended during the life of the securities in question, in accordance with the formalities applicable.

3. In addition to their preferential subscription right for shares and marketable securities issued under the present resolution, the Board of Directors may institute a right for shareholders to subscribe on a reducible basis for the shares or marketable securities issued, which will be exercised in proportion to their subscription rights and within the limit of their requests. The general meeting also acknowledges that if subscriptions on an irreducible basis and, as relevant, on a reducible basis have not accounted for the entire issue, the Board of Directors may, in the order it determines, (i) limit the issue to the amount of subscriptions received, provided that this represents at least three quarters of the issue decided on; (ii) freely distribute all or part of any securities not subscribed for; or (iii) conduct a public offering for all or part of any securities not subscribed for on the French market, internationally or abroad.

4. The general meeting acknowledges that under the present delegation, in accordance with the provisions of Article L.225-132 of the French commercial code, shareholders waive their preferential subscription right for the Company shares which the marketable securities to be issued under the present delegation may entitle them to, relative to holders of marketable securities issued under the present resolution.

5. The general meeting decides that the Company stock warrants decided on under the present delegation may be issued through a subscription offer, as well as through free allocations to holders of existing shares, and that in the event of a free allocation of stock warrants, the Board of Directors may decide that allocation rights forming fractions will not be able to be traded or transferred and the corresponding securities will be sold.

6. The Board of Directors will determine the characteristics, amount and conditions for any issue as well as any securities issued. More specifically, it will determine the category of securities and set their subscription price, with or without a premium, the conditions for them being fully paid-up, their dividend entitlement date, possibly backdated, the possibility to reduce or increase the par value of marketable securities, the conditions under which the marketable securities issued based on the present resolution will entitle holders to access Company shares and, for debt securities, their level of subordination. The Board of Directors may decide to book issue costs against the amount of the corresponding premiums and deduct from this amount the sums needed to take the legal reserve up to one tenth of the new capital after each increase.

7. As relevant, the Board of Directors may suspend the exercising of the rights associated with marketable securities entitling holders to access the Company's capital directly or indirectly, immediately or in the future, for a maximum period of three months and will take all relevant measures for any adjustments to be made in accordance with French law and, as relevant, the contractual stipulations in order to protect the holders of rights associated with marketable securities entitling them to access Company shares.

8. The Board of Directors, in accordance with Article L.225-129-2 of the French commercial code, will have full powers to implement the present resolution, notably entering into any agreements required, particularly with a view to the effective completion of any issue, to carry out the aforementioned issues on one or more occasions, in the proportions and at the times it deems relevant in France or, as relevant, abroad or on the international market - in addition to deferring them if applicable - acknowledging their performance and amending the bylaws accordingly, as well as performing all formalities and filings and requesting any authorizations that may be necessary for the performance and successful completion of such issues.

9. The Board of Directors may, within the limits it has determined beforehand, delegate the authority granted under the present resolution to the Chief Executive Officer or, as agreed with the latter, to one or more Deputy Chief Executive Officers.

10. The Board of Directors will be required to report at the following ordinary general meeting on the use made of the present delegation of authority in accordance with the legal and regulatory provisions in force and more specifically Article L. 225-129-5 of the French commercial code.

The general meeting acknowledges that the previous authorization granted to the Board of Directors through to August 6, 2014 and with the same purpose is, subject to the adoption of the present resolution, cancelled and replaced as of this day, in accordance with the provisions of Article L. 225-129-2 Paragraph 2 of the French commercial code.

TWELFTH RESOLUTION

Delegation of authority for the Board of Directors to issue ordinary Company shares and marketable securities entitling holders to access ordinary Company shares and/or the awarding of debt securities, with preferential subscription rights waived for shareholders in connection with a public offering, term of the delegation, maximum nominal amount of the capital increase

The general meeting, ruling under the quorum and majority conditions required for extraordinary general meetings and in accordance with the legal provisions in force, and more specifically Articles L.225-129-2, L.225-135, L.225-136, L.228-91 and L.228-92 of the French commercial code, having reviewed the Board of Directors' report and the statutory auditors' special report, having acknowledged that the share capital was fully paid-up,

Delegates to the Board of Directors, for a **26-month** period from the day of the present general meeting, its authority to decide, under the conditions set by the present resolution, to issue, with preferential subscription rights waived for shareholders in connection with a public offering, (i) ordinary Company shares and/or (ii) marketable securities entitling holders, by any means, immediately or in the future, to access ordinary Company shares that currently exist or are to be issued and/or (iii) marketable securities entitling holders to be awarded debt securities, which may be subscribed for either in cash or through offsetting receivables.

1. The maximum nominal amount of the increase in the Company's capital which may be carried out, immediately or in the future, as a result of all the issues decided on under the present delegation is set at **750,000 euros**, it being understood that this amount is booked against the cap set in the seventeenth resolution and does not include the nominal value of the Company shares to be issued, as relevant, for any adjustments made in accordance with French law and the contractual stipulations in order to protect the holders of rights associated with marketable or other securities entitling them to access Company shares.

The marketable securities entitling holders to access the Company shares issued in this way may comprise debt securities or be associated with the issuing of such securities, or even allow them to be issued as intermediate securities. The debt securities issued under the present delegation may notably comprise subordinated or unsubordinated securities, covering a set period or not, and issued in euros or foreign currencies or in any monetary units established with reference to several currencies. The nominal amount of any debt securities issued in this way may not exceed **100,000,000 euros** or the equivalent of this amount on the date of the decision to issue, it being understood that:

- (i) this amount does not include the premiums for redemption above par, if provided for,
- (ii) this amount is common to all of the debt securities which may be issued under the present resolution and the eleventh, thirteenth, fourteenth and fifteenth resolutions submitted at the present general meeting,
- (iii) but this amount is independent and separate from the amount of any debt securities whose issue may be decided on or authorized by the Board of Directors in accordance with Article L.228-40 of the French commercial code.

The term of borrowings other than those represented by perpetual securities may not exceed seven years. Borrowings may be based on a fixed or variable interest rate, or zero coupon, or indexed, or even, within the limits applicable under French law, on a capitalization basis, and may be subject to guarantees or sureties granted, redeemed (including through the remittance of the Company's assets), with or without a premium, or amortized, with the securities also able to be bought back on the stock market or subject to an exchange or purchase offer by the Company. The aforementioned conditions may be amended during the life of the securities in question, in accordance with the formalities applicable.

2. The general meeting decides to waive the preferential subscription right for shareholders relative to shares and marketable securities and/or debt securities that may be issued under the present delegation of authority.

3. The Board of Directors may institute a non-tradable priority right for shareholders to subscribe for the shares or marketable securities issued under the present delegation, for which it will determine, within the legal conditions in force, the terms and conditions for exercising. Any securities not subscribed for under this right may be subject to a public placement in France or abroad, or on the international market.

4. If subscriptions, including, as relevant, those of shareholders, have not accounted for the entire issue, the Board of Directors may limit the amount of the operation as provided for under French law.

5. The general meeting acknowledges that under the present delegation, in accordance with the provisions of Article L.225-132 of the French commercial code, shareholders waive their preferential subscription right for the Company shares which the marketable securities to be issued under the present delegation may entitle them to, relative to holders of marketable securities issued under the present resolution.

6. The Board of Directors will determine the characteristics, amount and conditions for any issue decided on under the present delegation, as well as any securities issued. More specifically, it will determine the category of securities issued and set their subscription price, with or without a premium, their dividend entitlement date, backdated if applicable, and, as relevant, the term or the conditions under which the marketable securities issued under the present resolution will entitle holders to access shares, it being understood that:

- (i) The issue price for shares will be at least equal to the minimum amount provided for under the laws and regulations in force at the time when the present delegation is used, after correcting this amount, as relevant, in order to take into consideration differences in terms of dividend entitlement dates;
- (ii) The issue price for other marketable securities will be such that the sum immediately received by the Company, in addition to, as relevant, any sum that it may receive subsequently is, for each share issued further to the issuing of such marketable securities, at least equal to the amount indicated in (i) above, after correcting this amount, as relevant, in order to take into consideration differences in terms of dividend entitlement dates;
- (iii) The conversion, redemption or generally the transformation into shares of each marketable security will be carried out, in light of the par value of the said marketable security, based on a number of shares such that the sum received by the Company, for each share, is at least equal to the amount indicated in (i) above, after correcting this amount, as relevant, in order to take into consideration differences in terms of dividend entitlement dates;
- (iv) For up to 10% of the share capital per year, the issue price will be set by the Board of Directors and will be at least equal to the weighted average price based on the volume of shares during the stock market session prior to the announcement of the operation's launch, less a maximum discount of 10%.

7. The Board of Directors may decide to book the costs of issues carried out under the present resolution against the corresponding amount of premiums and to deduct from this amount the sums needed to take the legal reserve up to one tenth of the new capital after each increase.

8. The Board of Directors, in accordance with Article L.225-129-2 of the French commercial code, will have full powers to implement the present resolution, notably entering into any agreements required, particularly with a view to the effective completion of any issue, to carry out the aforementioned issues on one or more occasions, in the proportions and at the times it deems relevant in France or, as relevant, abroad or on the international market - in addition to deferring them if applicable - acknowledging their performance and amending the bylaws accordingly, as well as performing all formalities

and filings and requesting any authorizations that may be necessary for the performance and successful completion of such issues.

9. The Board of Directors may, within the limits it has determined beforehand, delegate the authority granted under the present resolution to the Chief Executive Officer or, as agreed with the latter, to one or more Deputy Chief Executive Officers.

10. The Board of Directors will be required to report at the following ordinary general meeting on the use made of the present delegation of authority in accordance with the legal and regulatory provisions in force and more specifically Article L. 225-129-5 of the French commercial code.

The general meeting acknowledges that the previous authorization granted to the Board of Directors through to August 6, 2014 and with the same purpose is, subject to the adoption of the present resolution, cancelled and replaced as of this day, in accordance with the provisions of Article L. 225-129-2 Paragraph 2 of the French commercial code.

THIRTEENTH RESOLUTION

Delegation of authority for the Board of Directors to issue ordinary Company shares or various marketable securities in connection with an offer covered by Section II of Article L. 411-2 of the French monetary and financial code, term of the delegation, limits concerning the amounts of issues

The general meeting, ruling under the quorum and majority conditions required for extraordinary general meetings and in accordance with the legal provisions in force, and more specifically Articles L. 225-127, L. 225-128, L.225-129, L.225-129-2, L.225-135, L.225-136 and L.228-92 of the French commercial code and Section II of Article L.411-2 of the French monetary and financial code, having reviewed the Board of Directors' report and the statutory auditors' special report,

1. **Delegates** to the Board of Directors, for a **26-month** period from the day of the present general meeting, its authority to decide, under the conditions set by the present resolution, to issue, with shareholders' preferential subscription rights waived in connection with an offer covered by Section II of Article L.411-2 of the French monetary and financial code, (i) ordinary Company shares and/or (ii) marketable securities entitling holders, by any means, immediately or in the future, to access ordinary Company shares that already exist or are to be issued and/or (iii) marketable securities entitling holders to be awarded debt securities, which may be subscribed for either in cash or through offsetting receivables.

2. Decides to cap the amounts of any issues that may be carried out by the Board of Directors under the present delegation as follows:

- (i) The maximum nominal amount of any capital increases that may be carried out, immediately or in the future, under this delegation may not exceed **20%** of the Company's capital per year;
- (ii) The amount of capital increases carried out under the present resolution will be booked against the amount of the cap set in the seventeenth resolution for the present general meeting, but will not include the nominal amount of any shares to be issued in order to protect, in accordance with the legislative and regulatory provisions in force and, as relevant, the contractual stipulations providing for other adjustment cases, the rights of holders of marketable securities entitling them to access the Company's capital, stock options or warrants or bonus share entitlements;
- (iii) The maximum nominal amount of the Company's marketable debt securities may not exceed **100,000,000 euros** or the equivalent of this amount, it being understood that this amount is common to all the debt securities that may be issued under the present resolution and the eleventh, twelfth, fourteenth and fifteenth resolutions submitted at the present general meeting, and that it is independent and separate from the amount of debt securities whose issue may be decided on or authorized by the Board of Directors in accordance with Article L.228-40 of the French commercial code.

3. Decides to waive the preferential subscription rights for shareholders to securities covered under the present resolution.

4. Acknowledges that under this delegation, holders of marketable securities issued entitling them to access the Company's capital must as of right waive their preferential subscription rights for the shares that the marketable securities will entitle them to.

5. Decides that, in accordance with Article L.225-136 of the French commercial code:

- (i) The issue price for shares issued directly will at least be equal to the minimum provided for under French law and the regulations in force when the present delegation is used;
- (ii) The issue price for marketable securities entitling holders to access the capital will be such that the sum immediately received by the Company, in addition to, as relevant, any sum that it may receive subsequently, is at least equal to the minimum subscription price defined in the previous paragraph for each share issued further to the issuing of such marketable securities.

6. Decides that if the subscriptions have not accounted for the entire issue of marketable securities, the Board of Directors may limit the issue to the amount of subscriptions under the legal conditions in force when the present delegation is used.

7. Decides that the Board of Directors, in accordance with Article L.225-129-2 of the French commercial code, will have full powers to implement the present resolution, notably entering into any agreements required, particularly with a view to the effective completion of any issue, to carry out the aforementioned issues on one or more occasions, in the proportions and at the times it deems relevant in France or, as relevant, abroad or on the international market - in addition to deferring them if applicable - acknowledging their performance and amending the bylaws accordingly, as well as performing all formalities and filings and requesting any authorizations that may be necessary for the performance and successful completion of such issues.

8. The Board of Directors may, within the limits it has determined beforehand, delegate the authority granted under the present resolution to the Chief Executive Officer or, as agreed with the latter, to one or more Deputy Chief Executive Officers.

The Board of Directors will be required to report at the following ordinary general meeting on the use made of the present delegation of authority in accordance with the legal and regulatory provisions in force, and more specifically Article L. 225-129-5 of the French commercial code.

FOURTEENTH RESOLUTION

Authorization for the Board of Directors, in the event of a capital increase with preferential subscription rights waived for shareholders, to increase the number of securities to be issued, term of the authorization, limits concerning the authorization

The general meeting, ruling under the quorum and majority conditions required for extraordinary general meetings and in accordance with the legal provisions in force, and more specifically Article L.225-135-1 of the French commercial code, having reviewed the Board of Directors' report and the statutory auditors' special report,

Once again authorizes, for a 26-month period from the day of the present general meeting, the Board of Directors to decide, within 30 days of the end of the subscription period for the initial issue, for each of the issues decided on in accordance with the twelfth and thirteenth resolutions as presented above, to increase the number of securities to be issued, for up to 15% of the initial issue, subject to compliance with the cap provided for under the said resolution and based on the same price as that retained for the initial issue.

The Board of Directors may, within the limits it has determined beforehand, delegate the authority granted under the present resolution to the Chief Executive Officer or, as agreed with the latter, to one or more Deputy Chief Executive Officers.

The Board of Directors will be required to report at the following ordinary general meeting on the use made of the present authorization in accordance with the legal and regulatory provisions in force, and more specifically Article L. 225-129-5 of the French commercial code.

The general meeting acknowledges that the previous authorization granted to the Board of Directors through to August 6, 2014 and with the same purpose is, subject to the adoption of the present resolution, cancelled and replaced as of this day, in accordance with the provisions of Article L. 225-129-2 Paragraph 2 of the French commercial code.

FIFTEENTH RESOLUTION

Delegation of authority for the Board of Directors to issue ordinary Company shares and marketable securities entitling holders to access ordinary Company shares in the event of a public exchange offer initiated by the Company, term of the delegation, maximum nominal amount of the capital increase

The general meeting, ruling under the quorum and majority conditions required for extraordinary general meetings and in accordance with the legal provisions in force, and more specifically Articles L.225-129-2, L.225-148 and L.228-92 of the French commercial code, having reviewed the Board of Directors' report and the statutory auditors' special report,

Delegates to the Board of Directors, for a **26-month** period from the day of the present general meeting, its authority to decide, under the conditions set by the present resolution and based on and under the conditions set out by the twelfth resolution as presented above, to issue ordinary Company shares or marketable securities entitling holders, by any means, immediately or in the future, to access ordinary Company shares that already exist or are to be issued, as consideration for securities tendered for a public offer with an exchange component initiated in France or abroad, in accordance with local rules, by the Company on the securities of a company admitted for trading on one of the regulated markets covered by the aforementioned Article L.225-148, and decides, in relation to the holders of such securities, to waive the preferential subscription rights for shareholders to such shares and marketable securities, as necessary.

1. The maximum nominal amount of the increase in the Company's capital that may be carried out, immediately or in the future, as a result of all the issues carried out under the present delegation is set at **750,000 euros**, it being understood that (i) this amount is booked against the cap set in the seventeenth resolution and is set not taking into consideration the nominal value of the Company shares to be issued, if applicable, relative to adjustments made in accordance with French law and the contractual stipulations to protect the holders of rights associated with the marketable securities or other securities entitling holders to access Company shares, (ii) the maximum nominal amount of the Company's marketable debt securities may not exceed **100,000,000 euros** or the equivalent of this amount, it being understood that this amount is common to all of the debt securities which may be issued under the present resolution and the eleventh, twelfth, thirteenth and fourteenth resolutions as presented above, and that it is independent and separate from the amount of debt securities whose issue may be decided on or authorized by the Board of Directors in accordance with Article L.228-40 of the French commercial code.

2. The general meeting acknowledges that under the present delegation, in accordance with the provisions of Article L.225-132 of the French commercial code, shareholders waive their preferential subscription right for the shares which the marketable securities issued under the present delegation may entitle them to.

3. The general meeting decides that the Board of Directors will have full powers to implement the public offers provided for under the present resolution, and more specifically with a view to:

- Setting the exchange ratio and, as relevant, the amount of the cash balance to be paid;
- Acknowledging the number of securities tendered for the exchange;
- Setting the dates and conditions, including the price and dividend entitlement date, possibly backdated, for issuing new shares or, as relevant, marketable securities entitling holders immediately or in the future to access Company shares;
- Recording the difference between the issue price for new shares and their par value as a liability on the balance sheet under a "contribution premium" account, which will be covered by the rights of all shareholders;
- As relevant, booking all of the duties and fees incurred by the authorized operation against the amount of the said “contribution premium”;
- Generally, taking any measures and entering into any agreements required for the successful performance of the authorized operation, acknowledging the resulting capital increase or increases, and amending the bylaws accordingly.

4. The Board of Directors may, within the limits it has determined beforehand, delegate the authority granted under the present resolution to the Chief Executive Officer or, as agreed with the latter, to one or more Deputy Chief Executive Officers.

5. The Board of Directors will report at the following ordinary general meeting on the use made of the present delegation of authority in accordance with the legal and regulatory provisions in force, and more specifically Article L. 225-129-5 of the French commercial code.

The general meeting acknowledges that the previous authorization granted to the Board of Directors through to August 6, 2014 and with the same purpose is, subject to the adoption of the present resolution, cancelled and replaced as of this day, in accordance with the provisions of Article L. 225-129-2 Paragraph 2 of the French commercial code.

SIXTEENTH RESOLUTION

Delegation of authority for the Board of Directors to issue ordinary Company shares in return for any contributions in kind made to the Company and comprising capital securities or marketable securities entitling holders to access the capital, term of the authorization, maximum nominal amount of the capital increase

The general meeting, ruling under the quorum and majority conditions required for extraordinary general meetings and in accordance with the legal provisions in force, and more specifically Articles L.225-129-2, L.225-147 and L.228-92 of the French commercial code, having reviewed the Board of Directors' report and the statutory auditors' special report,

Delegates to the Board of Directors, for a 26-month period from the day of the present general meeting, its authority, under the conditions set by the present resolution and based on the contribution auditors' report mentioned in Paragraphs 1 and 2 of the aforementioned Article L.225-147, to issue ordinary Company shares in return for any contributions in kind made to the Company and comprising capital securities or marketable securities entitling holders to access the capital, when the provisions of Article L.225-148 of the French commercial code do not apply, and decides, in relation to the holders of capital securities or marketable securities subject to contributions in kind to waive the preferential subscription rights for shareholders to the shares issued in this way, as necessary.

1. The maximum nominal amount of the capital increase that may be carried out, immediately or in the future, as a result of all the issues decided on under the present delegation is set at 10% of the Company's capital on the date for the present

general meeting, it being understood that the maximum nominal amount resulting from the present capital increase is booked against the cap set in the fifteenth resolution and is set not taking into consideration the nominal value of the Company shares to be issued, if applicable, relative to adjustments made in accordance with French law and the contractual stipulations to protect the holders of rights associated with the marketable securities or other securities entitling holders to access Company shares.

2. The general meeting acknowledges that under the present delegation, in accordance with the provisions of Article L.225-132 of the French commercial code, shareholders waive their preferential subscription right which they may be entitled to on the shares issued under the present delegation.

3. The Board of Directors will have full powers to implement the present resolution, and more specifically, based on the contribution auditors' report mentioned in Paragraphs 1 and 2 of the aforementioned Article L.225-147, to rule on the valuation of contributions and the granting of specific benefits, to reduce the valuation of contributions or the remuneration for specific benefits, if the contributors agree to this, to acknowledge the definitive performance of capital increases carried out under the present delegation, to amend the bylaws accordingly, to perform all formalities and filings and request any authorizations that may be required for carrying out such contributions.

4. The Board of Directors may, within the limits it has determined beforehand, delegate the authority granted under the present resolution to the Chief Executive Officer or, as agreed with the latter, to one or more Deputy Chief Executive Officers.

5. The Board of Directors will report at the following ordinary general meeting on the use made of the present delegation of authority in accordance with the legal and regulatory provisions in force.

The general meeting acknowledges that the previous authorization granted to the Board of Directors through to August 6, 2014 and with the same purpose is, subject to the adoption of the present resolution, cancelled and replaced as of this day, in accordance with the provisions of Article L. 225-129-2 Paragraph 2 of the French commercial code.

SEVENTEENTH RESOLUTION

Overall cap on authorizations

The general meeting, ruling under the quorum and majority conditions required for extraordinary general meetings, having reviewed the Board of Directors' report and the statutory auditors' special reports, and further to the adoption of the eleventh to sixteenth resolutions as presented above, decides to set the maximum nominal amount of capital increases that may be carried out, immediately or in the future, under the delegations granted by the tenth to fifteenth resolutions as presented above, at 750,000 euros, it being understood that the nominal amount of Company shares to be issued relative to adjustments made in order to protect the holders of rights associated with marketable securities and other securities entitling them to access shares will be added to this nominal amount, as relevant.

EIGHTEENTH RESOLUTION

Delegation of authority for the Board of Directors to increase the Company's capital through the incorporation of reserves, profits or premiums, term of the delegation, maximum nominal amount of the capital increase

The general meeting, ruling under the quorum and majority conditions required for extraordinary general meetings and in accordance with the legal provisions in force, and more specifically Articles L.225-129-2 and L.225-130 of the French commercial code, having reviewed the Board of Directors' report,

Delegates to the Board of Directors, for a 26-month period from the day of the present general meeting, its authority to decide, under the conditions set by the present resolution, to increase the share capital, on one or more occasions and at the times and under the conditions it deems relevant, through the incorporation of reserves, profits or premiums into the capital, followed by the creation and free allocation of shares or an increase in the par value of existing shares, or a combination of these two approaches.

1. The maximum nominal amount of the capital increase that may be carried out, immediately or in the future, as a result of all the issues carried out under the present delegation is set at 750,000 euros, it being understood that this cap is set (i) independently and separately from the maximum limits for capital increases resulting from issues of shares or marketable securities authorized by the eleventh to sixteenth resolutions as presented above, and (ii) not taking into consideration the nominal value of Company shares to be issued, if applicable, relative to adjustments made in accordance with French law and the contractual stipulations to protect the holders of rights associated with the marketable securities or other securities entitling holders to access Company shares.

2. The general meeting delegates the power for the Board of Directors to decide that rights forming fractions will not be able to be traded or transferred and the corresponding securities will be sold; sums from the sale will be allocated to the holders of rights within the regulatory timeframe.

3. The Board of Directors will have full powers to implement the present resolution, and generally to take any measures and perform any formalities required for the successful performance of each capital increase, acknowledging their performance and amending the bylaws accordingly.

4. The Board of Directors may, within the limits it has determined beforehand, delegate the authority granted under the present resolution to the Chief Executive Officer or, as agreed with the latter, to one or more Deputy Chief Executive Officers.

5. The Board of Directors will report at the following ordinary general meeting on the use made of the present delegation of authority in accordance with the legal and regulatory provisions in force, and more specifically Article L. 225-129-5 of the French commercial code.

The general meeting acknowledges that the previous authorization granted to the Board of Directors through to August 6, 2014 and with the same purpose is, subject to the adoption of the present resolution, cancelled and replaced as of this day, in accordance with the provisions of Article L. 225-129-2 Paragraph 2 of the French commercial code.

NINETEENTH RESOLUTION

Delegation of authority for the Board of Directors to carry out capital increases through the issuing of shares or other securities entitling holders to access the capital with preferential subscription rights waived for members of a company savings scheme in accordance with Articles L. 3332-18 et seq of the French employment code, term of delegation, maximum nominal amount of the capital increase, issue price, possibility for awarding bonus shares under Article L. 3332-21 of the French employment code

The general meeting, ruling under the quorum and majority conditions required for extraordinary general meetings and in accordance with the legal provisions in force, and more specifically Articles L.225-129-6, L.228-92, L.225-138 I and II and L.225-138-1 of the French commercial code and Articles L.3332-18 et seq of the French employment code, having reviewed the Board of Directors' report and the statutory auditors' special reports,

Delegates to the Board of Directors, for a 26-month period from the day of the present general meeting, its authority to decide, under the conditions set by the present resolution, to increase the share capital on its decisions alone, on one or more occasions, and at the times and under the conditions it deems relevant, through the issuing of shares or marketable securities entitling holders to access Company shares which already exist or are to be issued, reserved for the current and former staff of the Company and affiliated French or foreign companies or groups in accordance with the regulations in force, who are members of a company savings scheme; as relevant, such issues may be combined with a free allocation of shares or marketable securities entitling holders to access Company shares which already exist or are to be issued, notably through the incorporation of reserves, profits or premiums into the capital, within the legal and regulatory limits applicable, partially or totally replacing the discount under the conditions set out below.

1. The maximum nominal amount of the increase in the Company's capital which may be carried out, immediately or in the future, as a result of all the issues carried out under the present delegation is set at 50 K€, it being understood that this cap does not include the nominal value of Company shares to be issued, as relevant, relative to any adjustments made in accordance with French law and the contractual stipulations in order to protect the holders of rights associated with marketable securities entitling them to access Company shares.
2. The general meeting acknowledges that if subscriptions have not accounted for the entire issue of securities, the capital increase will only be carried out for the amount of the securities subscribed for.
3. For the current and former staff referred to in the second paragraph of the present resolution, the general meeting decides to waive the preferential subscription rights for shareholders to the shares or marketable securities entitling them to access shares to be issued under the present delegation, with such shareholders also waiving any entitlement to the shares or other marketable securities awarded freely under the present delegation.

   The general meeting acknowledges that under the present delegation shareholders waive their preferential subscription right to the shares which the marketable securities issued under the present delegation may entitle them to.

4. The general meeting decides that:
    - The subscription price for new shares will be equal to the average listed prices recorded over the 20 trading days prior to the day of the decision setting the subscription start date, less the maximum discount provided for under French law on the day of the Board of Directors' decision, it being understood that the Board of Directors may reduce this discount if it considers this to be relevant. The Board of Directors may also replace all or part of the discount by awarding shares or other marketable securities in accordance with the provisions set out below;
    - The Board of Directors may plan for the free allocation of existing shares or marketable securities entitling holders to access Company shares which already exist or are to be issued to replace all or part of the aforementioned discount, it being understood that the total benefit resulting from this allocation and, as relevant, the discount mentioned in the paragraph above may not exceed the legal limits in force; and provided that taking into consideration the equivalent cash value of any shares awarded freely, valued at their subscription price, does not result in the legal limits being exceeded.
5. The Board of Directors will have full powers to implement the present resolution, and more specifically with a view to:
    - Determining the characteristics, amount and conditions for any issue or free allocation of securities;
    - Determining that subscriptions may be carried out directly by beneficiaries or through collective bodies;
    - Determining, under the legal conditions in force, the list of companies or groups whose current and former staff will be able to subscribe for the shares or marketable securities issued and, as relevant, receive the shares or marketable securities awarded freely;
    - Determining the nature and conditions for the capital increase, as well as the conditions for the issue or the free allocation;
    - Setting the subscription price for shares and the duration of the subscription period;
    - Setting the seniority conditions required for the beneficiaries of new shares or marketable securities resulting from the capital increase or increases or securities subject to each free allocation covered under the present resolution;
    - Setting the terms and conditions for shares or marketable securities to be issued under the present delegation, and more specifically their dividend entitlement date (even backdated), as well as the conditions for them being fully paid-up;
    - Setting the subscription start and end dates, and collecting subscriptions;
    - Acknowledging the performance of the capital increase through the issuing of shares for the amount of shares effectively subscribed for;
    - Determining, as relevant, the nature of any securities awarded freely, as well as the terms and conditions for this allocation;
    - Determining, as relevant, the amount of sums to be incorporated into the capital, within the limit set out above, the equity heading or headings against which they are drawn, and the dividend entitlement date for the shares created in this way;
    - Based solely on its decision, and if it deems this relevant, booking the costs for capital increases against the amount of the corresponding premiums for such increases and deducting the sums required to take the legal reserve up to one tenth of the new capital after each increase against this amount;
    - Taking any measures for the definitive performance of capital increases, carrying out the resulting formalities, notably those relating to the listing of any securities created, amending the bylaws accordingly further to such capital increases, and more generally doing whatever may be necessary.
6. The Board of Directors may, within the limits it has determined beforehand, delegate the authority granted under the present resolution to the Chief Executive Officer or, as agreed with the latter, to one or more Deputy Chief Executive Officers.

The Board of Directors will be required to report at the following ordinary general meeting on the use made of the present delegation of authority in accordance with the legal and regulatory provisions in force.

The present resolution cancels and replaces the twelfth resolution from the ordinary and extraordinary meeting on June 4, 2013.

TWENTIETH RESOLUTION

Amendment of Article 13 of the bylaws "Identification of shareholders – Disclosure thresholds": amendment concerning the second paragraph relating to the statutory threshold and disclosure period

The general meeting, deliberating under the quorum and majority conditions required for extraordinary general meetings, having reviewed the Board of Directors' report, decides to amend Article 13 of the bylaws as follows:

Article 13 – "Identification of shareholders – Disclosure thresholds":

The second paragraph now reads as follows:

2) "In addition to the legal disclosure requirement set out in Article L. 233-7 of the French commercial code, any individuals or legal entities acting alone or in concert that directly or indirectly acquire a number of shares representing 2.5% of the capital or voting rights, or any multiple of this percentage, are required to inform the Company of the total number and percentage of the shares and voting rights that they hold, indicating their identity and that of any parties acting in concert with them, in an email sent to ag@parrot.com, confirmed on the same day with a letter sent recorded delivery with delivery receipt to the company's registered office, within four (4) trading days of any such thresholds being exceeded.

This obligation applies under the same conditions as those set out in the previous paragraph each time the fraction of the share capital or voting rights drops below one of the thresholds mentioned in the previous paragraph.

In the event of failure to comply with the requirements stipulated in the previous two paragraphs, any shares exceeding the fraction that should have been disclosed will forfeit their voting rights for any general meeting held until the end of a two-year period following the date when the disclosure issue was resolved. With the exception of cases when one of the thresholds provided for under Article L. 233-7 of the French commercial code are exceeded, voting rights will only be suspended further to a request by one or more shareholders holding at least 2.5% of the company's capital and voting rights, recorded in the general meeting's minutes".

The rest of the article remains unchanged.

TWENTY-FIRST RESOLUTION

Powers for formalities

The general meeting, ruling under the quorum and majority conditions required for ordinary general meetings, grants full powers to the bearer of an original or duplicate copy of or extract from the minutes for the present meeting to perform all the legal filing or disclosure formalities.

27.3. Statutory auditors' report on the capital operations provided for under Resolutions 8, 9, 10, 11, 12, 13, 14, 15, 16 and 19 from the combined general meeting on June 11, 2014

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France

Dear Shareholders,

In our capacity as your company's statutory auditors and pursuant to the mandate provided for under the French commercial code, please find hereafter our report on the capital operations which you are invited to give your opinion on.

1 Capital reduction (Resolution 8)

In our capacity as your company's statutory auditors, and pursuant to the mandate provided for under Article L. 225-209 of the French commercial code, in the event of a capital reduction through the cancellation of shares purchased, we have drawn up the present report in order to present our assessment of the causes and conditions for the planned capital reduction.

For the implementation of the authorization for your company to buy its own shares, your Board of Directors is requesting that you delegate full powers to it for an 18-month period with a view to cancelling shares purchased in this way for up to 10% of its capital, per 24-month period.

We have performed the procedures that we have deemed necessary in view of the French national statutory auditors board (CNCC) professional standards relative to this mission. These procedures involve determining whether the causes and conditions for the planned capital reduction, which is not likely to affect shareholder equality, are consistent.

We do not have any observations to make regarding the reasons and conditions for the planned capital reduction, which may only be carried out after your general meeting has previously approved the operation for your company to purchase its own shares.

2 Awarding of stock options and/or warrants (Resolution 9)

In our capacity as your company's statutory auditors, and pursuant to the mandate provided for under Articles L.225-177 and R.225-144 of the French commercial code, we have drawn up the present report on the authorization to award stock options or warrants to some or all of the employees or corporate officers of the Company or related companies or groups as per Article L.225-180 of the French commercial code, which you are invited to make a decision on.

Your Board of Directors is proposing, based on its report, that you authorize it, for a period ending further to the general meeting convened to approve the financial statements for the year ending December 31, 2014, to award stock options or warrants. The total number of options or warrants that may be awarded under the present resolution may not entitle holders to subscribe for or acquire a number of shares representing more than 0.5% of the Company's capital on the date of your general meeting.

Your Board of Directors is responsible for drawing up a report on the reasons for opening up stock options or warrants and the conditions proposed for setting the subscription or purchase price. It is our responsibility to give an opinion on the proposed conditions for determining the subscription or purchase price of the shares.

We have performed the procedures that we have deemed necessary in view of the French national statutory auditors board (CNCC) professional standards relative to this mission. These standards require that we perform procedures to verify that the proposed conditions for setting the subscription or purchase price for shares are indicated in the Board of Directors' report and that they are consistent with the legal and regulatory provisions in force.

We do not have any observations to make regarding the proposed conditions for determining the subscription or purchase price for shares.

3 Awarding of your company's ordinary bonus shares - existing and/or to be issued (Resolution 10)

Pursuant to the mandate provided for under Article L.225-197-1 of the French commercial code, we have drawn up the present report on the proposed authorization to freely award existing and/or future shares to employees or corporate officers of the company or related companies or groups as per Article L.225-197-2 of the French commercial code, or certain categories of them.

Your Board of Directors is proposing, based on its report, that you authorize it to award existing bonus shares and/or future shares for a period ending further to the general meeting convened to approve the financial statements for the year ending December 31, 2014. The total number of existing Company shares or Company shares to be issued and freely awarded under the present resolution may not represent more than 0.5% of the Company's capital on the date of the present meeting.

Your Board of Directors is responsible for drawing up a report on this operation which it would like to be able to carry out. It is our responsibility to inform you, as relevant, of our observations on the information provided to you in this way concerning the planned operation.

We have performed the procedures that we have deemed necessary in view of the French national statutory auditors board (CNCC) professional standards relative to this mission. These standards notably require that we perform procedures to verify that the proposed conditions and information set out in the Board of Directors' report are compliant with the legal provisions in force.

We do not have any observations to make regarding the information given in the Board of Directors' report in terms of the planned operation to authorize the awarding of bonus shares.

4 Issue of shares and/or other marketable securities with preferential subscription rights maintained and/or waived (Resolutions 11, 12, 13, 14, 15 and 16)

Pursuant to the mandate provided for under Articles L.228-92 *et seq* of the French commercial code, please find hereafter our report on the proposed delegations for the Board of Directors relative to various issues of ordinary shares and/or marketable securities, operations which you are invited to give your opinion on.

Based on its report, your Board of Directors is proposing that you:

- Delegate the authorization for it to decide on the following operations and set the definitive conditions for such issues over a 26-month period, with your preferential subscription rights waived if applicable:
    - Issuing ordinary shares and/or marketable securities entitling holders, immediately or in the future, to access company shares and/or the awarding of debt securities, with preferential subscription rights maintained (11th resolution),
    - Issuing, through a public offering, ordinary shares and marketable securities entitling holders, immediately or in the future, to access company shares and/or the awarding of debt securities, with preferential subscription rights waived (12th resolution), noting that these securities may be issued as consideration for securities tendered as part of a public exchange offer that fulfils the conditions stipulated by Article L. 225-148 of the French commercial code.
    - Issuing, through an offer covered under Article 411- 2 of the French monetary and financial code, ordinary shares and/or marketable securities entitling holders, immediately or in the future, to access company shares and/or the awarding of debt securities, with preferential subscription rights waived. The total nominal amount of shares that may be issued will also be limited to 20% of the capital per year (13th resolution),
- Authorize it, under the 12th resolution, and in connection with the implementation of the delegation set out in the said resolution, to set the issue price within the legal limit representing 10% of the share capital per year,
- If applicable, delegate the authorization, for a 26-month period, for it to set the conditions for issuing ordinary shares as consideration for contributions in kind made to the company and comprising capital securities or marketable securities with an equity component for up to 10% of the share capital, with preferential subscription rights waived as required (16th resolution).

Under the 17th resolution, the maximum nominal amount of capital increases that may be carried out immediately or in the future based on the issuing of ordinary shares or marketable securities entitling holders to access the capital may not exceed 750,000 euros under Resolutions 11 to 16.

The total nominal amount of debt securities that may be issued may not exceed 100,000,000 euros for the 11th, 12th,13th and 15th resolutions.

The maximum limit from the 12th resolution takes into consideration the additional number of securities to be created under the conditions set out in Article L. 225-135-1 of the French commercial code, if you adopt the 14th resolution.

Your Board of Directors is responsible for drawing up a report in accordance with Articles R.225-113, R.225-114 and R.225-117 of the French commercial code. It is our responsibility to give an opinion on the accuracy of the quantified information based on the accounts, on the proposal to waive preferential subscription rights and on certain other items of information concerning these operations, as set out in this report.

We have performed the procedures that we have deemed necessary in view of the French national statutory auditors board (CNCC) professional standards relative to this mission. These procedures involved verifying the content of the Board of Directors' report relative to this operation and the conditions for determining the issue price for the capital securities to be issued.

Subject to the subsequent review of the conditions for the issues that may be decided on, we do not have any observations to make regarding the conditions for determining the issue price for capital securities to be issued given in the Board of Directors' report relative to the 12th, 13th, 14th and 15th resolutions.

Furthermore, since this report does not specify the conditions for determining the issue price for capital securities to be issued under the 11th and 16th resolutions, we are unable to give an opinion on the choice of elements for calculating this issue price.

Since the amount of the issue price for capital securities to be issued is not set, we have not expressed any opinion on the definitive conditions under which issues will be carried out and, as a result, on the proposal submitted to you in the 12th and 13th resolutions, and as necessary the 15th and 16th resolutions, to waive preferential subscription rights.

In accordance with Article R.225-116 of the French commercial code, we will draw up an additional report, if necessary, when such authorizations are used by your Board of Directors in the event of any issues of ordinary shares with preferential subscription rights waived and issues of marketable securities entitling holders to access the capital and/or the allocation of debt securities.

5. Issue of shares or marketable securities reserved for members of a company savings scheme (Resolution 19)

In our capacity as your company's statutory auditors, and pursuant to the mandate provided for under Articles L.228-92 and L. 225-135 *et seq* of the French commercial code, please find hereafter our report on the proposed capital increase through the issuing of ordinary shares and/or marketable securities entitling holders to access the capital with preferential subscription rights waived, with a maximum nominal amount for the capital increase of 50,000 euros, reserved for current and former employees of the Company and related French or foreign companies or groups that are members of a company savings scheme, which you are being asked to deliberate and vote on.

You are asked to approve this capital increase in accordance with the provisions of Articles L.225-129-6 of the French commercial code and L.3332-18 *et seq* of the French employment code.

On the basis of its report, your Board of Directors proposes that you delegate authority to it, for a 26-month period, to decide on an issue and waive your preferential subscription rights for the securities to be issued. When necessary, it will set the definitive issue terms and conditions for this operation.

The Board of Directors is responsible for drawing up a report in accordance with Articles R.225-113 *et seq* of the French commercial code. It is our responsibility to give an opinion on the accuracy of the quantified information based on the accounts, on the proposal to waive preferential subscription rights and on certain other items of information concerning the issue, as set out in this report.

We have performed the procedures that we have deemed necessary in view of the French national statutory auditors board (CNCC) professional standards relative to this mission. These procedures involved verifying the content of the Board of Directors' report relative to this operation and the conditions for determining the issue price for the capital securities to be issued.

Subject to the subsequent review of the conditions for the issue that may be decided on, we do not have any observations to make regarding the conditions for determining the issue price given in the Board of Directors' report for the capital securities to be issued.

As the definitive conditions under which any capital increase may be carried out have not been set, we have not expressed any opinion on them or as a result the proposal submitted to you to waive preferential subscription rights.

In accordance with Article R.225-116 of the French commercial code, we will draw up an additional report, as relevant, concerning the use of this delegation by your Board of Directors.

Paris La Défense, April 30, 2014

The Statutory Auditors

KPMG Audit IS
Eric Lefebvre
Partner

ERNST & YOUNG et Autres
Pierre Jouanne
Partner

Index of headings

For the convenience of readers of this reference document, the following index, drawn up in accordance with the provisions of Article 212-13-I of Title II of the AMF's general regulations (as per the Decrees from January 4th and February 26, 2007), makes it possible to determine which sections in the annual report correspond to the sections required by Regulations (EC 809/2004 of April 29, 2004).

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