



GoPro

GoPro, Inc.
Fiscal Year 2016
Proxy Statement and Annual Report



To Our Shareholders:

2016 marked a year of investment, advancement and action.

INVESTMENT

In 2016, we made significant investments to simultaneously develop and deploy several new products in an effort to modernize GoPro's user experience. Specifically, we launched HERO5, a line of cloud-connected cameras that automatically upload any new footage while the camera is charging. We launched GoPro Plus, a cloud-based content management service that makes a HERO5 user's footage accessible via their smartphone. We launched Quik, our award winning automatic editing app. And we simultaneously launched Karma, our drone and handheld stabilization system.

ADVANCEMENT

In many ways, 2016 was a revolutionary year in which we deployed these four foundational products as an integrated end-to-end solution for our customers. This paved the way for 2017 as a lower-cost evolutionary year where we intend to iterate and improve upon these new experiences.

Our investments in 2016 resulted in the most advanced, yet simplest to use products and services in our 15-year history. We made significant progress toward our longstanding core vision of making it easy for the world to capture and share its passion and experiences in the form of engaging content.

ACTION

2016 also included challenges—challenges which led us to action. Initial production issues handicapped the launch of our HERO5 Black camera and our drone, Karma. While we recovered quickly and these products are selling well in the first quarter of 2017, the impact of their delay forced us to sharpen our focus on profitability and managing GoPro as efficiently and effectively as possible. In December 2016 and March 2017, we took dramatic action to realign our resources on key priorities in order to lower our operating expenses in pursuit of our goal of returning to full-year profitability in 2017.

Our challenges in 2016 led to a meaningful course correction in our business and the unification of our employees behind five key priorities.

1. Achieve Profitability Through Efficiency, Lower Cost & Better Execution. Cost management is central to our goal of returning GoPro to full-year profitability in 2017. We have reduced operating expenses by 30 percent to a full-year non-GAAP target of \$495 million. Headcount has been reduced by more than 20 percent following a peak in 2016. The result has been a dramatic improvement in communication and collaboration which we believe is reflected in our early 2017 performance.

2. Make the Smartphone Central to the GoPro Experience. If there are two clear megatrends in consumer behavior today, they are Mobile and Visual Storytelling. We recognize that for GoPro to serve as a storytelling solution and grow in relevance with today's consumers, it must be more mobile-centric. We believe that our automatic editing app, Quik, serves as a powerful smartphone-centric foundation to build upon and we plan to debut a significant enhancement that will dramatically simplify the GoPro experience for our customers.

3. Market Improved GoPro Experience to Existing Community. Since introducing the first HD HERO camera in 2009, GoPro has sold more than 25 million cameras worldwide. We believe one of the most powerful growth initiatives we have is to educate and excite our existing users about the simplicity of our new hardware and software solutions. GoPro is now easy, and we need to let our customers know it. As a start, we recently announced our new TradeUp initiative, offering discounts to users who trade in any earlier HERO camera model for the ease of use and performance of our HERO5 line of cameras. Additionally, we are communicating directly with consumers to clearly demonstrate how upcoming advancements in our mobile app experience will make using a GoPro feel like a seamless extension of the smartphone.

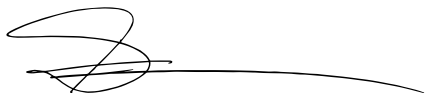
4. Grow Our International Business. In 2014, we opened our first international office in Munich, Germany. By 2016, 53 percent of our annual revenue came from markets outside of the United States. As exciting as our business is in the United States, there is an even bigger opportunity in global markets like China, Japan and Europe where positive recognition of the GoPro brand is high.

5. Expand the Experience for Advanced GoPro Users. While we continue to innovate and simplify our products for mass market consumers, we believe it is also important to develop leading-edge solutions for our more advanced users, or “prosumers.” In 2016 we introduced Karma—an aerial, handheld and wearable stabilization system we call “Hollywood Stabilization in a Backpack.” In April of 2017, GoPro announced the development of Fusion, a 5.2K spherical camera designed to capture professional-quality content for both virtual reality and non-VR productions. And there’s more to come.

We believe that executing against these five key priorities can help us achieve our goal of profitability in 2017. 2016 was a challenging year, but it was also a rewarding year that has fundamentally improved our approach to our business. We acknowledge that to fully realize our potential, the strength of our business must match the strength of our brand.

Since founding GoPro in 2002, I’ve never had the privilege of working with such a strong and capable team. Our communication, collaboration and culture have never been better and it’s with this in mind that I believe we are entering an exciting new era for GoPro.

Life is more meaningful when shared, and I thank you for sharing this journey with us.



Nicholas Woodman
Founder, Chairman and Chief Executive Officer







April 26, 2017

Dear Stockholders:

You are cordially invited to attend the 2017 Annual Meeting of Stockholders of GoPro Inc., which will be held virtually on Tuesday, June 6, 2017 at 10:00 a.m. (Pacific Time). The virtual Annual Meeting can be accessed by visiting www.virtualshareholdermeeting.com/GPRO2017, where you will be able to listen to the meeting live, submit questions and vote online. We believe that a virtual stockholder meeting provides greater access to those who may want to attend and therefore have chosen this over an in-person meeting.

The matters expected to be acted upon at the virtual Annual Meeting are described in detail in the accompanying Notice of Annual Meeting of Stockholders and Proxy Statement.

Your vote is important. Whether or not you plan to attend the meeting, please cast your vote as soon as possible by Internet or telephone, or by completing and returning the enclosed proxy card in the postage-prepaid envelope to ensure that your shares will be represented. Your vote by written proxy will ensure your representation at the Annual Meeting regardless of whether you attend the virtual meeting or not. Returning the proxy does not deprive you of your right to attend the meeting and to vote your shares at the virtual meeting.

We look forward to your attendance at our virtual Annual Meeting.

Sincerely,

A handwritten signature in black ink, appearing to be "N. Woodman", with a long horizontal line extending to the right.

Nicholas Woodman
Chief Executive Officer

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR
THE STOCKHOLDER MEETING TO BE HELD ON JUNE 6, 2017 AT 10:00 A.M. (PACIFIC TIME):
THIS PROXY STATEMENT AND THE ANNUAL REPORT ARE AVAILABLE AT
www.proxyvote.com**

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GOPRO, INC.

3000 Clearview Way
San Mateo, California 94402

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Our Stockholders:

NOTICE IS HEREBY GIVEN that the 2017 Annual Meeting of Stockholders of GoPro, Inc. will be held virtually on Tuesday, June 6, 2017, at 10:00 a.m. (Pacific Time). The virtual Annual Meeting can be accessed by visiting www.virtualshareholdermeeting.com/GPRO2017, where you will be able to listen to the meeting live, submit questions and vote online.

We are holding the meeting for the following purposes, which are more fully described in the accompanying proxy statement:

1. To elect seven directors, all of whom are currently serving on our board of directors, each to serve until the next annual meeting of stockholders and until his or her successor has been elected and qualified, or until his or her earlier death, resignation, or removal.

Nicholas Woodman
Anthony Bates
Kenneth Goldman
Peter Gotcher

Alexander Lurie
Susan Lyne
Lauren Zalaznick

2. To ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2017.
3. To hold an advisory vote on the resolution to approve executive compensation.

In addition, stockholders may be asked to consider and vote upon such other business as may properly come before the meeting or any adjournment or postponement of the meeting.

Only stockholders of record at the close of business on April 13, 2017 are entitled to notice of, and to vote at, the virtual meeting and any adjournments thereof. For ten days prior to the meeting, a complete list of the stockholders entitled to vote at the virtual meeting will be available for examination by any stockholder for any purpose germane to the meeting during ordinary business hours at our headquarters.

Your vote as a GoPro, Inc. stockholder is very important. Each share of GoPro Class A common stock that you own represents one vote and each share of GoPro Class B common stock that you own represents ten votes. For questions regarding your stock ownership, contact your brokerage firm or other entity that holds your shares or, if you are a registered holder, our transfer agent, American Stock Transfer & Trust Company, LLC, by calling (800) 937-5449, by writing to 6201 15th Avenue, Brooklyn, New York 11219 or by visiting their website at <https://www.astfinancial.com>.

By Order of the Board of Directors,



Nicholas Woodman
Chief Executive Officer
San Mateo, California
April 26, 2017

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YOUR VOTE IS IMPORTANT

WHETHER OR NOT YOU PLAN TO ATTEND THE VIRTUAL ANNUAL MEETING, WE ENCOURAGE YOU TO VOTE AND SUBMIT YOUR PROXY BY INTERNET, TELEPHONE OR BY MAIL. FOR ADDITIONAL INSTRUCTIONS ON VOTING BY TELEPHONE OR THE INTERNET, PLEASE REFER TO YOUR PROXY CARD. TO VOTE AND SUBMIT YOUR PROXY BY MAIL, PLEASE COMPLETE, SIGN AND DATE THE ENCLOSED PROXY CARD AND RETURN IT IN THE ENCLOSED ENVELOPE. IF YOU ATTEND THE VIRTUAL ANNUAL MEETING, YOU MAY REVOKE YOUR PROXY AND VOTE VIA THE VIRTUAL MEETING WEBSITE. IF YOU HOLD YOUR SHARES THROUGH AN ACCOUNT WITH A BROKERAGE FIRM, BANK OR OTHER NOMINEE, PLEASE FOLLOW THE INSTRUCTIONS YOU RECEIVE FROM YOUR ACCOUNT MANAGER TO VOTE YOUR SHARES.

GOPRO, INC.

PROXY STATEMENT FOR 2017 ANNUAL MEETING OF STOCKHOLDERS

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GOPRO, INC.
3000 Clearview Way
San Mateo, California 94402

PROXY STATEMENT FOR THE 2017 ANNUAL MEETING OF STOCKHOLDERS

April 26, 2017

INFORMATION ABOUT SOLICITATION AND VOTING

The accompanying proxy is solicited on behalf of the board of directors of GoPro, Inc. (“GoPro”) for use at GoPro’s 2017 Annual Meeting of Stockholders to be held virtually on June 6, 2017, at 10:00 a.m. (Pacific Time) (“Annual Meeting”), and any adjournment or postponement of the Annual Meeting. The Annual Meeting can be accessed by visiting www.virtualshareholdermeeting.com/GPRO2017, where you will be able to listen to the meeting live, submit questions and vote online. The Notice of Internet Availability of Proxy Materials and this proxy statement for the Annual Meeting (“Proxy Statement”) and the accompanying form of proxy were first distributed and made available on the Internet to stockholders on or about April 26, 2017. GoPro’s annual report on Form 10-K for the year ended December 31, 2016 filed on February 16, 2017 (“Annual Report”) will be available with this Proxy Statement by following the instructions in the Notice of Internet Availability of Proxy Materials.

INTERNET AVAILABILITY OF PROXY MATERIALS

In accordance with U.S. Securities and Exchange Commission (“SEC”) rules, we are using the Internet as our primary means of furnishing proxy materials to stockholders. Consequently, most stockholders will not receive paper copies of our proxy materials. We will instead send these stockholders a Notice of Internet Availability of Proxy Materials with instructions for accessing the proxy materials, including our Proxy Statement and Annual Report, and voting via the Internet. The Notice of Internet Availability of Proxy Materials also provides information on how stockholders may obtain paper copies of our proxy materials if they so choose. We believe this rule makes the proxy distribution process more efficient and less costly, and helps in conserving natural resources.

GENERAL INFORMATION ABOUT THE ANNUAL MEETING

Purpose of the Annual Meeting

At the Annual Meeting, stockholders will act upon the proposals described in this Proxy Statement.

Record Date; Quorum

Only holders of record of our Class A common stock and Class B common stock at the close of business on April 13, 2017 (“Record Date”) will be entitled to vote at the Annual Meeting. At the close of business on the Record Date, we had 107,093,812 shares of Class A common stock and 36,788,951 shares of Class B common stock outstanding and entitled to vote.

The holders of a majority of the voting power of the shares of our Class A common stock and Class B common stock (voting together as a single class) entitled to vote at the Annual Meeting as of the Record Date must be present at the Annual Meeting in order to hold the Annual Meeting and conduct business. This presence is called a quorum. Your shares are counted as present at the Annual Meeting if you are present and vote online at the Annual Meeting or if you have properly submitted a proxy.

Voting Rights; Required Vote

In deciding all matters at the Annual Meeting, each holder of shares of our common stock is entitled to one vote for each share of Class A common stock held and ten votes for each share of Class B common stock held as of the close of business on the Record Date. We do not have cumulative voting rights for the election of directors. You may vote all shares owned by you as of the Record Date, including (i) shares held directly in your name as the stockholder of record, and (ii) shares held for you as the beneficial owner in street name through a broker, bank, trustee, or other nominee.

Stockholder of Record: Shares Registered in Your Name. If, on the Record Date, your shares were registered directly in your name with our transfer agent, American Stock Transfer & Trust Company, LLC, then you are considered the stockholder of record with respect to those shares. As a stockholder of record, you may vote at the Annual Meeting or vote by telephone, by Internet, or by filling out and returning the proxy card.

Beneficial Owner: Shares Registered in the Name of a Broker or Nominee. If, on the Record Date, your shares were held in an account with a brokerage firm, bank or other nominee, then you are the beneficial owner of the shares held in street name. As a beneficial owner, you have the right to direct your nominee on how to vote the shares held in your account, and your nominee has enclosed or provided voting instructions for you to use in directing it on how to vote your shares. However, the organization that holds your shares is the stockholder of record for purposes of voting at the Annual Meeting. Because you are not the stockholder of record, you may not vote your shares at the Annual Meeting unless you request and obtain a valid proxy from the organization that holds your shares giving you the right to vote the shares at the Annual Meeting.

- **Proposal No. 1 — Election of Directors.** Each director will be elected by a plurality of the votes cast, which means that the seven individuals nominated for election to the board of directors at the Annual Meeting receiving the highest number of “FOR” votes will be elected. You may either vote “FOR” one or any of the nominees or “WITHHOLD” your vote with respect to one or any of the nominees.
- **Proposal No. 2 — Ratification of Appointment of Independent Registered Accounting Firm.** Ratification of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2017 will be obtained if the number of votes cast “FOR” the proposal at the Annual Meeting exceeds the number of votes “AGAINST” the proposal.
- **Proposal No. 3 — Advisory Vote to Approve Executive Compensation.** Approval, on a non-binding advisory basis, of the resolution to approve the compensation of our Named Executive Officers (“NEOs”), will be obtained if the number of votes cast “FOR” the proposal at the Annual Meeting exceeds the number of votes “AGAINST” the proposal.

Broker non-votes occur when shares held by a broker for a beneficial owner are not voted either because (i) the broker did not receive voting instructions from the beneficial owner or (ii) the broker lacked discretionary authority to vote the shares. Abstentions occur when shares present at the Annual Meeting are marked “abstain.” A broker is entitled to vote shares held for a beneficial owner on “routine” matters, such as the ratification of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2017, without instructions from the beneficial owner of those shares. On the other hand, absent instructions from the beneficial owner of such shares, a broker is not entitled to vote shares held for a beneficial owner on “non-routine” matters. All of the other proposals presented at the Annual Meeting are non-routine matters. Broker non-votes and abstentions are counted for purposes of determining whether a quorum is present, but have no effect on the outcome of the matters voted upon except where brokers can exercise discretion on “routine” matters. Accordingly, we encourage you to provide voting instructions to your broker, whether or not you plan to attend the Annual Meeting.

Recommendations of the Board of Directors on Each of the Proposals Scheduled to be Voted on at the Annual Meeting

The board of directors recommends that you vote “FOR” each of the directors named in this Proxy Statement (“**Proposal 1**”), “FOR” the ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2017 (“**Proposal 2**”) and “FOR” the approval, on a non-binding advisory basis, of the resolution to approve the compensation of our NEOs (“**Proposal 3**”). None of the directors or executive officers has any substantial interest in any matter to be acted upon, other than elections to office with respect to the directors so nominated.

Voting Instructions; Voting of Proxies

If you are a stockholder of record, you may:

- vote via the Annual Meeting website — any stockholder can attend the Annual Meeting by visiting www.virtualshareholdermeeting.com/GPRO2017, where stockholders may vote and submit questions during the meeting. The Annual Meeting starts at 10:00 a.m. (Pacific Time) on June 6, 2017. Please have your 16-Digit Control Number to join the Annual Meeting. Instructions on how to attend and participate via the Internet, including how to demonstrate proof of stock ownership, are posted at www.proxyvote.com;
- vote via telephone or Internet — in order to do so, please follow the instructions shown on your proxy card; or
- vote by mail — complete, sign and date the proxy card enclosed herewith and return it before the Annual Meeting in the envelope provided.

Votes submitted by telephone or Internet must be received by 11:59 p.m. (Eastern Time) on June 5, 2017. Submitting your proxy, whether via the Internet, by telephone, or by mail, will not affect your right to vote in person should you decide to attend the Annual Meeting. If you are not the stockholder of record, please refer to the voting instructions provided by your nominee to direct your nominee on how to vote your shares. You may either vote “FOR” all of the nominees to the board of directors, or you may withhold your vote from all nominees or any nominee you specify. For Proposals 2 and 3, you may vote “FOR” or “AGAINST” or “ABSTAIN” from voting. Your vote is important. Whether or not you plan to attend the Annual Meeting, we urge you to vote by proxy to ensure that your vote is counted.

All proxies will be voted in accordance with the instructions specified on the proxy card. If you sign a physical proxy card and return it without instructions as to how your shares should be voted on a particular proposal at the Annual Meeting, your shares will be voted in accordance with the recommendations of our board of directors stated above.

If you do not vote and you hold your shares in street name, and your broker does not have discretionary power to vote your shares, your shares may constitute “broker non-votes” (as described above) and will not be counted in determining the number of shares necessary for approval of the proposals. However, shares that constitute broker non-votes will be counted for the purpose of establishing a quorum for the Annual Meeting.

If you receive more than one proxy card, this is because your shares are registered in more than one name or are registered in different accounts. To make certain all of your shares are voted, please follow the instructions included on each proxy card and vote each proxy card by telephone or the Internet. If voting by mail, please complete, sign and return each proxy card to ensure that all of your shares are voted.

Expenses of Soliciting Proxies

GoPro will pay the expenses of soliciting proxies. Following the original mailing of the soliciting materials, GoPro and its agents, including directors, officers and other employees, without additional compensation, may solicit proxies by mail, electronic mail, telephone, facsimile, by other similar means, or in person. Following the original mailing of the soliciting materials, GoPro will request brokers, custodians, nominees and other record holders to forward copies of the soliciting materials to persons for whom they hold shares and to request authority for the exercise of proxies. In such cases, GoPro, upon the request of the record holders, will reimburse such holders for their reasonable expenses. If you choose to access the proxy materials through the Internet, you are responsible for any Internet access charges you may incur.

Revocability of Proxies

A stockholder who has given a proxy may revoke it at any time before it is exercised at the Annual Meeting by:

- delivering to the Corporate Secretary of GoPro (by any means) a written notice stating that the proxy is revoked;
- signing and delivering a proxy bearing a later date;

- voting again by telephone or Internet; or
- attending and voting at the Annual Meeting (although attendance at the Annual Meeting will not, by itself, revoke a proxy).

Please note, however, that if your shares are held of record by a broker, bank or other nominee and you wish to revoke a proxy, you must contact that firm to revoke any prior voting instructions.

Voting Results

Voting results will be tabulated and certified by the inspector of elections appointed for the Annual Meeting. The preliminary voting results will be announced at the Annual Meeting. The final results will be tallied by the inspector of elections and filed with the SEC in a current report on Form 8-K within four business days of the Annual Meeting.

BOARD OF DIRECTORS AND COMMITTEES OF THE BOARD; CORPORATE GOVERNANCE STANDARDS AND DIRECTOR INDEPENDENCE

GoPro is strongly committed to good corporate governance practices. These practices provide an important framework within which our board of directors and management can pursue our strategic objectives for the benefit of our stockholders. Our board of directors has adopted Corporate Governance Guidelines that set forth the role of our board of directors, director independence standards, board structure and functions, director selection considerations, and other governance policies. In addition, our board of directors has adopted written charters for its standing committees (audit, compensation and leadership, and nominating and governance), as well as a Code of Business Conduct and Ethics that applies to all of our employees, officers and directors, including those officers responsible for financial reporting. Our board of directors reviews each of the Corporate Governance Guidelines, the committee charters, and the Code of Business Conduct and Ethics annually and implements changes as appropriate. The Corporate Governance Guidelines, the committee charters, and the Code of Business Conduct and Ethics, and any waivers or amendments to the Code of Business Conduct and Ethics, are all available on our Investor Relations website (<http://investor.gopro.com>) in the “Corporate Governance” section.

Board Leadership Structure

Our Corporate Governance Guidelines provide that our board of directors may choose its chairperson in any way that it considers to be in the best interests of our company. Our nominating and governance committee periodically considers the leadership structure of our board of directors, including the separation of the chairperson and chief executive officer roles and/or appointment of a lead independent director of our board of directors, and makes such recommendations to our board of directors as our nominating and governance committee deems appropriate. Our Corporate Governance Guidelines also provide that, when the positions of chairperson and chief executive officer are held by the same person, the independent directors may designate a “lead independent director.” In cases in which the chairperson and chief executive officer are the same person, the responsibilities of the lead independent director include: scheduling and preparing agendas for meetings of the independent directors; serving as a liaison between the chief executive officer and the independent directors; being available, under appropriate circumstances, for consultation and direct communication with stockholders; ensuring our board of directors is fulfilling its oversight responsibilities in strategy, risk oversight and succession planning; and performing such other functions and responsibilities as requested by our board of directors from time to time.

Currently, our board of directors believes that it is in the best interest of our company and our stockholders for our Chief Executive Officer, Mr. Woodman, to serve as both Chief Executive Officer and Chairman given his knowledge of our company and industry and strategic vision. Because Mr. Woodman has served and continues to serve in both these roles, our board of directors appointed Michael Marks in 2014 to serve as our lead independent director. As lead independent director, Mr. Marks, among other responsibilities, presided over regularly scheduled meetings at which only our independent directors were present to foster open and honest communication, and served as a liaison between the Chairman and the President, and the independent directors, and performed such additional duties as our board of directors may otherwise determine and delegate. Messrs. Marks’ and Gilhuly’s board service terms will expire at the Annual Meeting and we are deeply grateful for the significant contributions that each of them has made to our board. Accordingly, the Board, including our

independent directors, appointed director Kenneth Goldman to serve as our lead independent director in April 2017. Our board of directors believes that its independence and oversight of management is maintained effectively through this leadership structure, the composition of our board of directors and sound corporate governance policies and practices.

Our Board of Directors' Role in Risk Oversight

Our board of directors is primarily responsible for overseeing our risk management processes. Our board of directors, as a whole, determines the appropriate level of risk for GoPro, assesses the specific risks that we face and reviews management's strategies for adequately mitigating and managing the identified risks. Although our board of directors administers this risk management oversight function, the committees of our board of directors support our board of directors in discharging its oversight duties and address risks inherent in their respective areas. The audit committee reviews our major financial risk exposures and the steps management has taken to monitor and control such exposures, including our procedures and related policies with respect to risk assessment and risk management. The compensation and leadership committee reviews risks and exposures associated with compensation plans and programs, including incentive plans. The nominating and corporate governance committee assists the board in fulfilling its oversight responsibilities with respect to the management of risks associated with our overall governance practices and the leadership structure of the board of directors (as described above under "Board Leadership Structure"). Our board of directors is kept informed of each committee's risk oversights and other activities via regular reports of the committee chairs to the full board of directors.

We believe this division of responsibilities is an effective approach for addressing the risks we face and that our board leadership structure supports this approach.

Director Independence

Our board of directors determines the independence of our directors by applying the applicable rules, regulations and listing standards of the NASDAQ Global Select Market ("**NASDAQ**") and applicable rules and regulations promulgated by the SEC. The applicable rules, regulations and listing standards of NASDAQ provide that a director is independent only if the board of directors affirmatively determines that the director does not have a relationship with the company which, in the opinion of the board of directors, would interfere with the exercise of his or her independent judgment in carrying out the responsibilities of a director. They also specify various relationships that preclude a determination of director independence. Such relationships may include employment, commercial, accounting, family and other business, professional and personal relationships.

Applying these standards, our board of directors annually reviews the independence of our directors, taking into account all relevant facts and circumstances. In its most recent review, our board of directors considered, among other things, the relationships that each non-employee director has with our company and all other facts and circumstances our board of directors deemed relevant in determining their independence, including the beneficial ownership of our capital stock by each non-employee director.

Our board of directors has determined that Messrs. Goldman, Marks, Gilhuly, and Gotcher, and Meses. Lyne and Zalaznick, are "independent directors" as defined under the applicable rules, regulations and listing standards of NASDAQ and applicable rules and regulations promulgated by the SEC. All members of our audit committee, compensation and leadership committee, and nominating and governance committee must be independent directors under the applicable rules, regulations and listing standards of NASDAQ. Members of the audit committee also must satisfy a separate SEC independence requirement, which provides that (i) they may not accept directly or indirectly any consulting, advisory or other compensatory fee from GoPro or any of our subsidiaries other than their directors' compensation, and (ii) they may not be an affiliated person of GoPro or any of our subsidiaries. Members of the compensation and leadership committee also must satisfy a separate SEC independence requirement and a related NASDAQ listing standard with respect to their affiliation with GoPro and any consulting, advisory or other fees they may have received from us. Our board of directors has determined that all members of our audit committee, compensation and leadership committee, and nominating and governance committee are independent and satisfy the relevant SEC and NASDAQ independence requirements for such committees.

Board and Committee Meetings and Attendance

Our board of directors and its committees meet throughout the year on a set schedule, and also hold special meetings and act by written consent from time to time. During 2016, our board of directors met twelve times, including telephonic meetings, the audit committee held five meetings, the compensation and leadership committee held eight meetings, and the nominating and governance committee held four meetings. None of the directors attended fewer than 75% of the aggregate of the total number of meetings held by our board of directors and by all committees of our board of directors on which such director served.

Audit Committee

Our audit committee is comprised of Mr. Goldman, who serves as the chair, and Messrs. Gilhuly and Gotcher. Our board of directors has determined that each member of the audit committee meets the requirements for independence under the applicable rules, regulations and listing standards of NASDAQ and applicable rules and regulations promulgated by the SEC. Each member of our audit committee is financially literate. In addition, our board of directors has determined that Mr. Goldman is an audit committee financial expert within the meaning of Item 407(d) of Regulation S-K of the Securities Act of 1933, as amended (“**Securities Act**”).

All audit services to be provided to us and all permissible non-audit services, other than de minimis non-audit services, to be provided to us by our independent registered public accounting firm will be approved in advance by our audit committee. Our audit committee, among other things:

- reviews the financial information which will be provided to stockholders and others;
- reviews our system of internal controls with management by consulting with management, our internal compliance team and the independent auditors;
- appoints, retains and oversees the performance of the independent registered public accounting firm;
- oversees our accounting and financial reporting processes and the audits of our financial statements;
- pre-approves audit and permissible non-audit services provided by the independent registered public accounting firm; and
- reviews related party transactions and proposed waivers of our Code of Business Conduct and Ethics.

Compensation and Leadership Committee

Our compensation and leadership committee (“**CLC**”) is comprised of Mr. Gotcher, who serves as the chair, Mr. Gilhuly, and Mses. Lyne and Zalaznick. In April of 2017, Mr. Marks stepped off the CLC and Ms. Lyne was appointed to the CLC. Our board of directors has determined that each member of our compensation and leadership committee meets the requirements for independence under current NASDAQ and SEC rules, regulations and listing standards. Each member of this committee is also a non-employee director, as defined pursuant to Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended (“**Exchange Act**”), an outside director, as defined pursuant to Section 162(m) and is “independent” as defined in Section 5605(a)(2) of the NASDAQ rules and Rule 10C-1 promulgated under the Exchange Act. The purpose of our compensation and leadership committee is to carry out the responsibilities of our board of directors relating to compensation of our executive officers. Our compensation and leadership committee, among other things:

- reviews and determines the compensation of our executive officers and other executives reporting to the Chief Executive Officer;
- administers our equity incentive plans; and
- establishes and reviews general policies relating to compensation and benefits of our employees.

The compensation and leadership committee engaged an independent executive compensation consulting firm, Compensia, Inc. (“**Compensia**”), to evaluate our executive compensation program and practices and to provide advice and ongoing assistance on executive compensation matters for 2016. Specifically, Compensia was engaged to:

- provide compensation-related data for a peer group of companies to serve as a basis for assessing competitive compensation practices;
- review and assess our current director policies and practices, Chief Executive Officer and other executive officer compensation policies and practices and equity profile relative to market practices (with director compensation review done for the benefit of the nominating and governance committee, which per its charter has responsibility for director compensation review and recommendation);
- review and assess our current executive compensation program relative to market to identify any potential changes or enhancements to be brought to the attention of the compensation and leadership committee; and
- review market practices on employee stock purchase plans and other equity programs.

During 2016, Compensia worked directly with the compensation and leadership committee (and not on behalf of management) to assist the committee in satisfying its responsibilities and undertook no projects for management without the committee’s prior approval. The compensation and leadership committee has determined that none of the work performed by Compensia during 2016 raised any conflicts of interest.

Nominating and Governance Committee

The nominating and governance committee is comprised of Ms. Zalaznick, who serves as the chair, and Mr. Gilhuly. In April 2017, Mr. Marks stepped off the nominating and governance committee. Our board of directors has determined that each member of our nominating and governance committee meets the requirements for independence under current NASDAQ rules, regulations and listing standards. Our nominating and governance committee, among other things:

- identifies, evaluates and recommends nominees, including stockholder nominees, to our board of directors and committees of our board of directors;
- conducts searches for appropriate directors;
- evaluates the performance of our board of directors and of individual directors;
- considers and makes recommendations to our board of directors regarding the composition of our board of directors and its committees and related compensation (and was assisted in its director compensation review by Compensia);
- reviews developments in corporate governance practices;
- evaluates the adequacy of our corporate governance practices and reporting; and
- makes recommendations to our board of directors concerning corporate governance matters.

Compensation and Leadership Committee Interlocks and Insider Participation

None of the members of our compensation and leadership committee has at any time been one of our officers or employees. None of our executive officers currently serves, or in the past has served, as a member of the board of directors or compensation and leadership committee (or other board committee performing equivalent functions) of any entity that has one or more of its executive officers serving on our board of directors or our compensation and leadership committee.

Board Attendance at Annual Stockholders’ Meeting

Our policy is to invite and encourage each member of our board of directors to be present at our annual meeting of stockholders. All of our then current directors were present at our 2016 virtual annual meeting of stockholders held on June 6, 2016.

Communication with Directors

Stockholders and interested parties who wish to communicate with our board of directors, non-management members of our board of directors as a group, a committee of our board of directors or a specific member of our board of directors (including our Chairman or lead independent director) may do so by letters addressed to the attention of our General Counsel. All communications are reviewed by our General Counsel and provided to the members of our board of directors consistent with a screening policy providing that unsolicited items, sales materials, abusive, threatening or otherwise inappropriate materials and other routine items and items unrelated to the duties and responsibilities of our board of directors shall not be relayed on to directors. Any communication that is not relayed is recorded in a log and made available to our board of directors.

The address for these communications is:

GoPro, Inc.
c/o General Counsel
3000 Clearview Way
San Mateo, California 94402

NOMINATIONS PROCESS AND DIRECTOR QUALIFICATIONS

Nomination to the Board of Directors

Candidates for nomination to our board of directors are selected by our board of directors based on the recommendation of the nominating and governance committee in accordance with the committee's charter, our certificate of incorporation and bylaws, our Corporate Governance Guidelines, and the criteria adopted by our board of directors regarding director candidate qualifications. In recommending candidates for nomination, the nominating and governance committee considers candidates recommended by directors, officers, employees, stockholders and others, using the same criteria to evaluate all candidates. Evaluations of candidates generally involve a review of background materials, internal discussions and interviews with selected candidates as appropriate and, in addition, the committee may engage consultants or third-party search firms to assist it in identifying and evaluating potential nominees.

Additional information regarding the process for properly submitting stockholder nominations for candidates for membership on our board of directors is set forth below under "Stockholder Proposals to Be Presented at Next Annual Meeting."

Director Qualifications

With the goal of developing a diverse, experienced and highly qualified board of directors, the nominating and governance committee is responsible for developing and recommending to our board of directors the desired qualifications, expertise and characteristics of members of our board of directors, including qualifications that the committee believes must be met by a committee-recommended nominee for membership on our board of directors and specific qualities or skills that the committee believes are necessary for one or more of the members of our board of directors to possess.

Since the identification, evaluation and selection of qualified directors is a complex and subjective process that requires consideration of many intangible factors, and will be significantly influenced by the particular needs of our board of directors from time to time, our board of directors has not adopted a specific set of minimum qualifications, qualities or skills that are necessary for a nominee to possess, other than those that are necessary to meet U.S. legal, regulatory and NASDAQ listing requirements and the provisions of our certificate of incorporation, bylaws, Corporate Governance Guidelines, and charters of the board committees. When considering nominees, our nominating and governance committee may take into consideration many factors, including among other things, a candidates' independence, integrity, diversity (inclusive of age, gender, ethnicity, sexual orientation and gender identity), skills, knowledge about our business or industry, willingness and ability to devote adequate time and effort to the board of directors responsibilities in the context of the existing composition, knowledge about other areas that are expected to contribute to the board of directors' overall effectiveness, and needs of the board of directors and its committees. Our board of directors and nominating and governance committee believe that a diverse, experienced and highly qualified board of directors fosters a robust, comprehensive and balanced decision-making process for the continued effective functioning of our board of directors and success of the Company. Accordingly, through the nomination process, the nominating and governance committee seeks to promote board membership that reflects a diversity of business experience, expertise, viewpoints, personal backgrounds and characteristics that are expected to contribute to our board of directors' overall effectiveness. The brief biographical description of each director set forth in Proposal 1 below includes the primary individual experience, qualifications, attributes and skills of each of our directors that led to the conclusion that each director should serve as a member of our board of directors at this time.

PROPOSAL NO. 1

ELECTION OF DIRECTORS

Our board of directors currently consists of nine directors. Seven of our directors will stand for election at the Annual Meeting to be held on June 6, 2017 and shall serve for a one-year term expiring at the 2018 Annual Meeting of Stockholders, and until such director's successor is duly elected and qualified or until such director's earlier death, resignation, or removal.

Shares represented by proxies will be voted "FOR" the election of each of the seven nominees named below, unless the proxy is marked to withhold authority to so vote. If any nominee for any reason is unable to serve or for good cause will not serve, the proxies may be voted for such substitute nominee as the proxy holder might determine. Each nominee has consented to being named in this Proxy Statement and to serve if elected.

Nominees to the Board of Directors

The nominees, their ages, occupations, and length of board service as of April 21, 2017 are provided in the table below. Additional biographical descriptions of each nominee are set forth in the text below the table.

Name of Director/Nominee	Age	Principal Occupation	Director Since
Nicholas Woodman	41	Chief Executive Officer and Chairman, GoPro, Inc.	2004
Anthony Bates	49	Former President, GoPro, Inc.	2014
Kenneth Goldman ^{(1)†}	67	Chief Financial Officer, Yahoo! Inc.	2013
Peter Gotcher ⁽¹⁾⁽³⁾	57	Independent Investor	2014
Alexander Lurie	43	Chief Executive Officer, SurveyMonkey, Inc.	2016
Susan Lyne ⁽³⁾	65	President and Managing Partner, BBG Ventures LLC	2017
Lauren Zalaznick ⁽²⁾⁽³⁾	54	Media Executive	2016

⁽¹⁾ Member of the audit committee

⁽²⁾ Member of the nominating and governance committee

⁽³⁾ Member of the compensation and leadership committee

† Lead Independent Director

Nicholas Woodman founded GoPro and has served as our Chief Executive Officer and a member of the board of directors since 2004, as Chairman since January 2014 and as President from 2004 until June 2014. Mr. Woodman got his start in 1998 by founding an online gaming company, Funbug.com. When that venture failed in 2001, Mr. Woodman planned an international surfing trip to look for inspiration. While preparing for that trip, Mr. Woodman had the idea for a 35mm film-based wrist camera that could be worn during sports like surfing, enabling the user to capture images while engaged in the sport. This idea became GoPro's first product, the HERO Camera. In the years that followed, Mr. Woodman, along with friends, family and employees, innovated on the HERO Camera concept along with a wide array of mounting devices that would make it easy to mount the camera to everything from helmets to surfboards, vehicles and more. Mr. Woodman holds a B.A. in Visual Arts from the University of California, San Diego. We believe Mr. Woodman's experience as the founder of GoPro and his knowledge of our products and customers give him the experience and leadership capabilities that qualify him to serve as a member of our board of directors.

Anthony Bates served as our President from June 2014 to December 2016, and as a member of our board of directors since June 2014. From June 2013 until March 2014, Mr. Bates was the Executive Vice President, Business Development and Evangelism of Microsoft Corporation, a software company. Mr. Bates was the Chief Executive Officer of Skype Inc., a provider of software applications and related Internet communications products, from October 2010 until its acquisition by Microsoft in 2011, subsequent to which Mr. Bates served as the President of Microsoft's Skype Division until June 2013. From 1996 to October 2010, Mr. Bates served in various roles at Cisco Systems, Inc., a networking equipment provider, most recently as Senior Vice President and General Manager of Enterprise, Commercial and Small Business. Mr. Bates currently serves on the board of directors of Ebay Inc., a global ecommerce website, and VMware, a global leader in cloud infrastructure and

business mobility. We believe that Mr. Bates is qualified to serve on our board of directors due to his extensive executive leadership experience in the technology industry, including the management of worldwide operations, sales, service, and support areas.

Kenneth Goldman has served on our board of directors since December 2013 and as lead independent director of our board since April 2017. Since October 2012, Mr. Goldman has served as the Chief Financial Officer of Yahoo! Inc., an Internet commerce website, where he is responsible for Yahoo's global finance functions including financial planning and analysis, controllership, tax, treasury, and investor relations. From September 2007 to October 2012, Mr. Goldman was the Senior Vice President, Finance and Administration and Chief Financial Officer of Fortinet Inc., a provider of threat management technologies. From November 2006 to August 2007, Mr. Goldman served as Executive Vice President and Chief Financial Officer of Dexterra, Inc., a mobile enterprise software company. From August 2000 until March 2006, Mr. Goldman served as Senior Vice President of Finance and Administration and Chief Financial Officer of Siebel Systems, Inc., a supplier of customer software solutions and services. Previously, Mr. Goldman has been the Chief Financial Officer of Sybase, Inc. (acquired by SAP SE), Excite@Home, Cypress Semiconductor Corporation and VLSI Technology, Inc. (acquired by Philips Electronics). Mr. Goldman currently serves on the board of directors of NXP Semiconductor N.V and TriNet, Inc., as well as the Trustee Emeritus of Cornell University. From December 1999 to December 2003, Mr. Goldman served on the Financial Accounting Standards Board's (FASB's) primary Advisory Council (FASAC). Mr. Goldman was appointed in January 2015 to a three-year term to the Public Company Accounting Oversight Board's (PCAOB) Standing Advisory Group (SAG), an organization that provides advice on the need to formulate new accounting standards or change existing standards. Mr. Goldman holds a B.S. in Electrical Engineering from Cornell University and an M.B.A. from Harvard Business School. We believe Mr. Goldman is qualified to serve as a member of our board of directors based on his experience on the boards of directors of numerous companies, his extensive executive experience, and his service as a member of FASAC and SAG. He provides a high level of expertise and significant leadership experience in the areas of finance, accounting, and audit oversight.

Peter Gotcher has served on our board of directors since June 2014. Mr. Gotcher is an independent private investor focusing on investments in digital media technology companies. From September 1999 to June 2002, Mr. Gotcher was a venture partner with Redpoint Ventures, a private investment firm. Prior to that, Mr. Gotcher was a venture partner with Institutional Venture Partners, a private investment firm, from 1997 to 1999. Mr. Gotcher founded Digidesign, Inc., a manufacturer of digital audio workstations, and served as its President, Chief Executive Officer and Chairman from 1984 until it was acquired by Avid Technology, a media software company, in 1995. He served as the Executive Vice President of Avid Technology from 1995 to 1996. Mr. Gotcher currently serves on the board of directors of Pandora Media, Inc. and is the Chairman of the board of directors of Dolby Laboratories, Inc. He also serves on the board of trustees of Santa Clara University. Mr. Gotcher holds a B.A. in English Literature from the University of California at Berkeley. We believe Mr. Gotcher is qualified to serve as a member of our board of directors based on his broad understanding of the operational, financial, and strategic issues facing public companies and his background providing guidance to companies in the digital media industry.

Alexander Lurie has served on our board of directors since February 2016. Since January 2016, Mr. Lurie has served as the Chief Executive Officer of SurveyMonkey, Inc., a creator and publisher of online surveys, and he has served as a member of the board of SurveyMonkey since 2009, including as Chairman of the Board from July 2015 to January 2016. Mr. Lurie served as GoPro's Senior Vice President of Media from November 2014 until January 2016. From February 2013 to January 2014, Mr. Lurie served as Executive Vice President for Guggenheim Digital Media, an internet media company. From April 2010 to August 2012, Mr. Lurie served as SVP, Strategic Development at CBS Corporation, a mass media corporation. From February 2008 to April 2010, Mr. Lurie served as Chief Financial Officer and Head of Business Development for CBS Interactive, a division of CBS Corporation. Mr. Lurie came to CBS Interactive via its acquisition of CNET Networks, a technology information website, where he served as Chief Financial Officer and head of Corporate Development from February 2006 to February 2008. Mr. Lurie began his career in the investment banking group at JPMorgan where he led equity transactions and mergers and acquisitions in the Internet sector. He holds a J.D. and M.B.A. degree from Emory University, and a B.A. in Political Science from the University of Washington. We believe Mr. Lurie is qualified to serve as a member of our board of directors based on his previous experience as an

executive officer of GoPro, his operational and financial expertise from his management experience, and his background in the digital media industry.

Susan Lyne has served on our board of directors since April 2017. Since September 2014, Ms. Lyne has served as President and Managing Partner of BBG Ventures, an AOL-backed investment fund focused on women-led tech startups. From February 2013 to September 2014, Ms. Lyne was Chief Executive Officer of the AOL Brand Group where she oversaw the content brands of AOL, Inc., a global media technology company, including TechCrunch, Engadget, StyleList, Moviefone and MapQuest. From September 2008 to January 2013, she was Chief Executive Officer and then Chair of Gilt Groupe, Inc., the innovative ecommerce company that pioneered flash sales in the United States. From 2004 to 2008, Ms. Lyne served as President and Chief Executive Officer of Martha Stewart Living Omnimedia, Inc., a diversified media and merchandising company. From 1996 to 2004, Ms. Lyne held various positions at The Walt Disney Company, a diversified worldwide entertainment company, rising to President of ABC Entertainment where she oversaw the development of shows including *Desperate Housewives*, *Grey's Anatomy*, and *Lost*. Ms. Lyne is currently a director of Brit Media, Inc. and has previously served as a director of Gilt Groupe, Inc., AOL, Inc., Martha Stewart Living Omnimedia, Inc. and Starz Entertainment Group, LLC. In addition, Ms. Lyne is a trustee of Rockefeller University and a member of the Council on Foreign Relations. We believe Ms. Lyne is qualified to serve as a member of our board of directors based on her experience on the boards of directors of other companies, her extensive executive experience and her background in the media and consumer products industries.

Lauren Zalaznick has served on our board of directors since July 2016. Since January 2014, Ms. Zalaznick has been serving as a board member and senior advisor to several companies: she is currently a member of the boards of directors of The Nielsen Company (since April 2016), Shazam (since April 2014), and Penguin Random House (since May 2014). In addition, she is currently a senior advisor to various content and tech start-ups including Refinery29, LifePosts, and Medium.com. From 2004 through December 2013, Ms. Zalaznick held various roles of increasing responsibility within NBCUniversal, Inc. including Chairman, Entertainment & Digital Networks and Integrated Media where she had responsibility for the Bravo, Oxygen, Style, Telemundo and Mun2 networks and ran its digital portfolio. She was Executive Vice President at NBCUniversal, Inc. until departing the company in December 2013. Since July 2011, Ms. Zalaznick has been a trustee of the Corporation of Brown University from which she graduated with a Bachelor of Arts magna cum laude and Phi Beta Kappa. We believe Ms. Zalaznick is qualified to serve as a member of our board of directors based on her operational and management expertise and her background in digital media and content strategy.

There are no family relationships among our current directors and officers.

Non-Employee Director Compensation Arrangements

In June 2014, our board of directors adopted a new non-employee director compensation policy, which was subsequently amended in August 2015, with the equity changes effective after the 2016 annual meeting of stockholders and the cash retainer changes effective in October 2015.

Pursuant to our non-employee director compensation policy in effect prior to our 2016 annual meeting of stockholders, each non-employee director was to receive a stock option having a grant date fair value computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718 (“**FASB ASC Topic 718**”) equal to \$150,000 immediately following each annual meeting of stockholders. Each such stock option had a ten-year term and vested in full on the earlier of the one-year anniversary of the date of grant or on the date of the next annual meeting of our stockholders, subject to the director’s continuous service on our board of directors at such time. In addition, immediately following the annual meeting of our stockholders, each non-employee director was to receive Restricted Stock Units (“**RSUs**”) having a fair market value on the grant date equal to \$30,000. The shares underlying each RSU grant vested as to 25% in each quarter following the date of grant with the final 25% to vest on the earlier of the date of the annual meeting or the one year anniversary of the date of grant, subject to the director’s continuous service on our board of directors at such time. The stock options and RSUs described above will accelerate and vest in full in the event of a change in control. Mr. Lurie who was appointed to our board of directors in February 2016 between the 2015 and 2016 annual meetings of stockholders received pro-rated stock option and RSU grants in accordance with the policy described in this paragraph.

Pursuant to the current non-employee director compensation policy, immediately following each annual meeting of our stockholders starting in 2016, we pay each non-employee director a cash retainer of \$50,000. We also grant each non-employee director a stock option having a grant date fair value computed in accordance with FASB ASC Topic 718 equal to \$122,500. Each such stock option will have a ten-year term and will vest in full on the earlier of the one-year anniversary of the date of grant or on the date of the next annual meeting of our stockholders, subject to the director's continuous service on our board of directors at such time. In addition, we grant each non-employee director RSUs having a fair market value on the grant date equal to \$122,500, based on a three month trailing average of our closing price. The shares underlying each RSU grant will vest as to 25% in each quarter following the date of grant with the final 25% to vest on the earlier of the date of the next annual meeting of stockholders or the one year anniversary of the date of grant, subject to the director's continuous service on our board of directors at such time. The stock options and RSUs described above will accelerate and vest in full in the event of a change in control. Directors who are appointed to our board of directors between the annual meetings of our stockholders will receive pro-rated stock option and RSU grants.

In addition to the cash retainers and the annual stock option and RSU grants for service as a member of our board of directors, our non-employee director compensation policy provides for additional cash retainers to the lead independent director and the chairs and members of each committee of our board of directors equal to the following:

- \$20,000 for the lead independent director;
- \$25,000 for the chair of our audit committee;
- \$12,500 for audit committee member (other than the chair);
- \$18,500 for the chair of our compensation and leadership committee;
- \$10,000 for compensation and leadership committee member (other than the chair);
- \$10,000 for the chair of our nominating and governance committee; and
- \$5,000 for nominating and governance committee member (other than the chair).

Non-employee directors receive no other form of remuneration, perquisites or benefits, but are reimbursed for their reasonable travel expenses incurred in attending board and committee meetings.

As of December 31, 2016, Mr. Bates ceased to be an employee of the Company and remains on the board of directors. For information on his going-forward compensation as a member of the board of directors, please see "Arrangements with Mr. Bates" in the "Post Employment Compensation" section of the Compensation Discussion and Analysis portion of this proxy statement below.

Director Compensation

The following table provides information for 2016 concerning all compensation awarded to, earned by or paid to each person who served as a non-employee director for some portion of 2016. Nicholas Woodman, our Chief Executive Officer, and Anthony Bates, our former President, are not included in the table below because they did not receive additional compensation for their services as directors. Their compensation as employees is shown below in "Executive Compensation — Summary Compensation Table."

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$) ⁽¹⁾	Option Awards (\$) ⁽²⁾	Total (\$)
Edward Gilhuly	82,500	114,616 ⁽³⁾	116,064 ⁽⁴⁾	313,180
Kenneth Goldman	75,000	114,616 ⁽³⁾	116,064 ⁽⁴⁾	305,680
Peter Gotcher	72,500	114,616 ⁽³⁾	116,064 ⁽⁴⁾	303,180
Michael Marks	73,500	114,616 ⁽³⁾	116,064 ⁽⁴⁾	304,180
Alexander Lurie	37,500	125,212 ⁽⁵⁾	169,407 ⁽⁶⁾	332,119
Lauren Zalaznick	32,500	108,268 ⁽⁷⁾	107,351 ⁽⁸⁾	248,119

⁽¹⁾ The amounts reported in this column represent the aggregate grant date value of RSUs made to directors in 2016 computed in accordance with FASB ASC Topic 718.

- (2) The amounts reported in this column represent the aggregate grant date value of option awards made to directors in 2016 computed in accordance with FASB ASC Topic 718.
- (3) On June 6, 2016, Messrs. Gilhuly, Goldman, Gotcher and Marks received 10,496 RSUs which vest as to 25% of the shares in each quarter following the date of grant, with the final 25% to vest on June 6, 2017, the date of our Annual Meeting, subject to the director's continuous service on our board of directors. As of December 31, 2016, 5,248 of the RSUs remained unvested. In the event of a Change in Control (as defined under the Company's 2014 Equity Incentive Plan), such RSUs shall accelerate and become immediately vested.
- (4) On June 6, 2016, Messrs. Gilhuly, Goldman, Gotcher and Marks received a stock option to purchase 24,861 shares of common stock which shall vest in full on June 6, 2017, the date of our Annual Meeting, subject to the director's continuous service on our board of directors on such date. In the event of a Change in Control (as defined under the Company's 2014 Equity Incentive Plan), such options shall accelerate and become immediately vested.
- (5) Mr. Lurie joined GoPro's board of directors on February 1, 2016. On February 1, 2016, Mr. Lurie received a pro-rated award of 958 RSU's which vested over an approximately four (4) month period, such that 50% of the shares subject to this stock award vested on March 8, 2016 and 50% vested June 6, 2016.
- On June 6, 2016, Mr. Lurie received 10,496 RSUs which vest as to 25% of the shares in each quarter following the date of grant, with the final 25% to vest on June 6, 2017, the date of our Annual Meeting, subject to the director's continuous service on our board of directors. As of December 31, 2016, 5,248 of the RSUs remained unvested. In the event of a Change in Control (as defined under the Company's 2014 Equity Incentive Plan), such RSUs shall accelerate and become immediately vested.
- (6) Mr. Lurie joined GoPro's board of directors on February 1, 2016. On February 1, 2016, Mr. Lurie received a pro-rated stock option to purchase 11,588 shares of common stock which vested in full on June 6, 2016.
- On June 6, 2016, Mr. Lurie received a stock option to purchase 24,861 shares of common stock which shall vest in full on June 6, 2017, the date of our Annual Meeting, subject to the director's continuous service on our board of directors on such date. In the event of a Change in Control (as defined under the Company's 2014 Equity Incentive Plan), such options shall accelerate and become immediately vested.
- (7) Ms. Zalaznick joined GoPro's board of directors July 5, 2016. On July 5, 2016, Ms. Zalaznick received a pro-rated award of 10,166 RSUs which vest as to 25% of the shares in each quarter following the date of grant, with the final 25% to vest on June 6, 2017, the date of our Annual Meeting, subject to the director's continuous service on our board of directors. As of December 31, 2016, 5,083 of the RSUs remained unvested. In the event of a Change in Control (as defined under the Company's 2014 Equity Incentive Plan), such RSUs shall accelerate and become immediately vested.
- (8) Ms. Zalaznick joined GoPro's board of directors July 5, 2016. On July 5, 2016, Ms. Zalaznick received a pro-rated stock option to purchase 24,079 shares of common stock which shall vest in full on June 6, 2017, the date of our Annual Meeting, subject to the director's continuous service on our board of directors on such date. In the event of a Change in Control (as defined under the Company's 2014 Equity Incentive Plan), such options shall accelerate and become immediately vested.

Our non-employee directors held option and RSU awards to acquire the following number of shares as of December 31, 2016:

Name	Number of Shares Underlying Outstanding Awards	
	Option Awards	RSU Awards
Edward Gilhuly	37,374	5,248
Kenneth Goldman	119,861 ⁽¹⁾	5,248
Peter Gotcher	48,144 ⁽²⁾	5,248
Michael Marks	37,374	5,248
Alexander Lurie	36,449	5,248
Lauren Zalaznick	24,079	5,083

- (1) Consists of stock options to purchase 95,000 shares of Class B common stock under an option award granted pursuant to our 2010 Equity Incentive Plan and 24,861 shares of Class A common stock under option awards granted pursuant to our 2014 Equity Incentive Plan.
- (2) Consists of stock options to purchase 17,234 shares of Class B common stock under an option award granted pursuant to our 2010 Equity Incentive Plan and 30,910 shares of Class A common stock under option awards granted pursuant to our 2014 Equity Incentive Plan.

**OUR BOARD OF DIRECTORS RECOMMENDS
A VOTE "FOR" ELECTION OF EACH OF THE NOMINATED DIRECTORS**

PROPOSAL NO. 2

RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Our audit committee has re-appointed PricewaterhouseCoopers LLP as GoPro's independent registered public accounting firm to perform the audit of GoPro's consolidated financial statements for 2017 and recommends that stockholders vote for ratification of such selection. Although ratification by stockholders is not required by law, GoPro has determined that it is good practice to request ratification of this selection by the stockholders. In the event that PricewaterhouseCoopers LLP is not ratified by our stockholders, the audit committee will review its future selection of PricewaterhouseCoopers LLP as GoPro's independent registered public accounting firm.

PricewaterhouseCoopers LLP audited GoPro's financial statements for 2016 and 2015. Representatives of PricewaterhouseCoopers LLP are expected to be present at the Annual Meeting, in which case they will be given an opportunity to make a statement at the Annual Meeting if they desire to do so, and will be available to respond to appropriate questions.

Independent Registered Public Accounting Firm Fees and Services

We regularly review the services and fees from our independent registered public accounting firm. These services and fees are also reviewed with our audit committee annually. In accordance with standard policy, PricewaterhouseCoopers LLP periodically rotates the individuals who are responsible for GoPro's audit. The following table shows the fees billed by PricewaterhouseCoopers LLP for the years ended December 31, 2016 and 2015:

Fees Billed to GoPro	2016	2015
Audit fees ⁽¹⁾	\$ 2,603,700	2,466,800
Tax fees ⁽²⁾	462,800	462,768
Total fees	\$ 3,066,500	2,929,568

⁽¹⁾ "Audit fees" include fees for audit services primarily related to the audit of our annual financial statements and internal control over financial reporting; the review of our quarterly financial statements; comfort letters, consents, and assistance with and review of documents filed with the SEC; and audit services provided in connection with other statutory and regulatory filings.

⁽²⁾ "Tax fees" include fees for tax compliance, advice and planning. Tax advice fees encompass a variety of permissible tax services, including technical tax advice related to federal and state and international income tax matters; transfer pricing, international tax structure planning, assistance with indirect sales tax; and assistance with tax audits.

Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Registered Public Accounting Firm

Our audit committee's policy is to preapprove all audit and permissible non-audit services provided by the independent registered public accounting firm. These services may include audit services, audit-related services, tax services and other services. Pre-approval is detailed as to the particular service or category of services and is generally subject to a specific budget. The independent registered public accounting firm and management are required to report periodically to the audit committee regarding the extent of services provided by the independent registered public accounting firm in accordance with this pre-approval, and the fees for the services performed to date.

All of the services relating to the fees described in the table above were approved by our audit committee.

OUR BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" APPROVAL OF PROPOSAL NO. 2

PROPOSAL NO. 3

ADVISORY VOTE TO APPROVE EXECUTIVE COMPENSATION

General

In accordance with the requirements of Section 14A of the Exchange Act (which was added by the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “**Dodd-Frank Act**”) and the related rules of the SEC, we are providing stockholders an opportunity to approve the compensation of our NEOs as disclosed in this Proxy Statement in the Compensation Discussion and Analysis section. While the results of the vote are non-binding and advisory in nature, the board of directors intends to carefully consider the results of this vote.

In considering their vote, stockholders may wish to review with care the information on the company’s compensation policies and decisions regarding the NEOs presented in the Compensation Discussion and Analysis section, as well as the discussion regarding the compensation and leadership committee in the Compensation Discussion and Analysis section entitled “Further Considerations for Setting Executive Compensation.”

The company’s goal for its executive compensation program is to attract, motivate, and retain our executives who are critical to our success. The company seeks to accomplish this goal in a way that rewards performance and is aligned with its stockholders’ long-term interests. The company believes its executive compensation program has been instrumental in helping the company achieve its business objectives.

Frequency of Stockholder Advisory Votes on Executive Compensation

At our 2015 annual meeting of stockholders, we asked our stockholders to express a preference for the frequency of an advisory vote on the compensation of the NEOs (a “**Say-on-Pay**” vote). The proposal with respect to the frequency of our Say-on-Pay votes is commonly known as a “Say-When-on-Pay” vote. At the 2015 annual meeting of stockholders, our stockholders selected, on a non-binding advisory basis, three years as the frequency at which GoPro will hold a non-binding advisory vote to approve the compensation to be paid by us to our NEOs. Based on these results, our board of directors has determined that we will conduct future stockholder advisory votes regarding compensation awarded to our NEOs once every three years. This policy will remain in effect until the next stockholder vote on the frequency of stockholder advisory votes on the compensation of NEOs, expected to be held at our 2021 annual meeting of stockholders.

Key Executive Compensation Policies and Practices

In accordance with the requirements of Section 14A of the Exchange Act and the related rules of the SEC, we are asking the stockholders to indicate their support for the compensation of our NEOs as described in this Proxy Statement. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our NEOs and the philosophy, policies and practices described in this Proxy Statement. Accordingly, the board of directors requests the stockholders vote on an advisory basis to approve the following resolution at the meeting:

RESOLVED, that the compensation paid to the company’s NEOs, as disclosed pursuant to Item 402 of Regulation S-K including the Compensation Discussion and Analysis, compensation tables, and narrative discussion set forth in this Proxy Statement, is hereby approved.

While the results of this advisory vote are not binding, the compensation and leadership committee, will consider the outcome of the vote in deciding whether to take any action as a result of the vote and when making future compensation decisions regarding NEOs. The compensation and leadership committee and the board of directors value the opinions of our stockholders. Unless the board of directors modifies its determination on the frequency of future Say-on-Pay advisory votes, the next Say-on-Pay advisory vote will be held at our 2020 annual meeting.

OUR BOARD OF DIRECTORS RECOMMENDS A VOTE “FOR” APPROVAL, ON A NON-BINDING BASIS, OF THE RESOLUTION TO APPROVE THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS AS DISCLOSED IN THIS PROXY STATEMENT.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information with respect to the beneficial ownership of our common stock as of March 31, 2017, by:

- each stockholder known by us to be the beneficial owner of more than 5% of our Class A common stock or Class B common stock;
- each of our directors;
- each of our NEOs; and
- all of our directors and executive officers as a group.

Percentage ownership of our common stock before this offering is based on 36,749,103 shares of our Class B common stock and 107,035,182 shares of our Class A common stock outstanding on March 31, 2017. Beneficial ownership is determined in accordance with the rules of the SEC and thus represents voting or investment power with respect to our securities. Unless otherwise indicated below, to our knowledge, the persons and entities named in the table have sole voting and sole investment power with respect to all shares beneficially owned, subject to community property laws where applicable. Shares of our Class A common stock and Class B common stock subject to options that are currently exercisable or exercisable within 60 days of March 31, 2017 or RSUs that may vest and settle within 60 days of March 31, 2017 are deemed to be outstanding and to be beneficially owned by the person holding the options or RSUs for the purpose of computing the percentage ownership of that person but are not treated as outstanding for the purpose of computing the percentage ownership of any other person.

Name of Beneficial Owner	Shares Beneficially Owned				% of Total Voting Power ⁽¹⁾
	Class A		Class B		
	Shares	%	Shares	%	
Directors and Executive Officers:					
Nicholas Woodman ⁽²⁾	—	*	36,576,628	99.08%	76.81%
Michael Marks ⁽³⁾	100,335	*	—	*	*
Edward Gilhuly ⁽⁴⁾	1,025,442	*	—	*	*
Kenneth Goldman ⁽⁵⁾	8,961	*	80,416	*	*
Peter Gotcher ⁽⁶⁾	14,426	*	73,212	*	*
Alexander Lurie ⁽⁷⁾	30,271	*	—	*	*
Susan Lyne ⁽⁸⁾	—	*	—	*	*
Lauren Zalaznick ⁽⁹⁾	7,624	*	—	*	*
Anthony Bates ⁽¹⁰⁾	487,596	*	2,229,666	5.72%	4.58%
Brian McGee ⁽¹¹⁾	39,901	*	—	*	*
Sharon Zezima ⁽¹²⁾	28,635	*	51,531	*	*
Jack Lazar ⁽¹³⁾	28,238	*	305,835	*	*
All executive officers and directors as a group (12 persons)⁽¹⁴⁾	1,771,429	1.65%	39,317,288	99.28%	78.43%
5% Stockholders:					
Nicholas Woodman and Jill R. Woodman, as Co-Trustees of the Woodman Family Trust under Trust Agreement dated March 11, 2011 ⁽¹⁵⁾	—	*	30,760,716	83.70%	64.82%
BlackRock, Inc. ⁽¹⁶⁾	6,253,462	5.84%	—	*	1.32%
The Vanguard Group – 23-1945930 ⁽¹⁷⁾	6,313,910	5.90%	—	*	1.33%

* Represents beneficial ownership of less than 1% of our outstanding shares of common stock of the designated class of security or less than 1% of the Total Voting Power, as applicable.

Unless otherwise indicated, the address of each of the individuals and entities named below is c/o GoPro, Inc., 3000 Clearview Way, San Mateo, California 94402.

- (1) Percentage of total voting power represents voting power with respect to all shares of our Class A common stock and Class B common stock, as a single class. The holders of our Class B common stock are entitled to ten votes per share, and holders of our Class A common stock are entitled to one vote per share.
- (2) Consists of (i) 30,760,716 shares of Class B common stock held by the Woodman Family Trust under Trust Agreement dated March 11, 2011 of which Nicholas Woodman and Jill Woodman are co-trustees, (ii) 1,474,623 shares of Class B common stock held by Mr. Woodman's 2016 GRAT, (iii) 1,474,623 shares of Class B common stock held by the 2016 GRAT for Mr. Woodman's spouse, (iv) 1,350,000 shares of Class B common stock held by Mr. Woodman's 2017 GRAT, (v) 1,350,000 shares of Class B common stock held by the 2017 GRAT for Mr. Woodman's spouse, and (vi) 166,666 shares of Class B common stock subject to restricted stock units held by Mr. Woodman that may settle within 60 days of March 31, 2017. As a co-trustee, Mr. Woodman may be deemed to have shared voting and investment power over the shares owned by the Woodman Family Trust. Mr. Woodman is the sole trustee of all four (4) GRATs.
- (3) Consists of (i) 30,153 shares of Class A common stock held by Mr. Marks, (ii) 8,062 shares of Class A common stock held in the Marks Family Trust, (iii) 49,607 shares of Class A common stock held by WB Investors, LLC, and (iv) 12,513 shares of Class A common stock subject to options held by Mr. Marks that are exercisable within 60 days of March 31, 2017. Michael Marks and Carole Jean Marks are co-trustees and co-beneficiaries of the Marks Family Trust. Mr. Marks is Manager of WB Investors, LLC ("WB"). The members of WB are Epping Investment Holdings, LLC, which Mr. Marks controls, and certain trusts controlled by Mr. Marks and for the benefit of Mr. Marks and members of his immediate family. The address for Mr. Marks, Marks Family Trust and WB Investors, LLC is 2494 Sand Hill Road, Bldg.7, Ste. 100, Menlo Park, CA 94025.
- (4) Consists of (i) 9,335 shares of Class A common stock held by Mr. Gilhuly, (ii) 4,177 shares of Class A common stock held by Gilhuly Investment Partners LLC, (iii) 999,417 shares of Class A common stock held by Sageview Capital Mater, L.P., and (iv) 12,513 shares of Class A common stock subject to options held by Mr. Gilhuly that are exercisable within 60 days of March 31, 2017. Mr. Gilhuly is the manager of Gilhuly Investment Partners LLC. Sageview Capital Partners (A), L.P. ("Sageview A"), Sageview Capital Partners (B), L.P. ("Sageview B") and Sageview Partners (C) (Master), L.P. ("Sageview C") are the shareholders of Sageview Capital Master L.P. ("Sageview Master"). Sageview Capital GenPar, Ltd. ("Sageview Ltd") is the sole general partner of each of Sageview Master, Sageview A, Sageview B and Sageview C. Sageview Capital GenPar, L.P. ("Sageview GenPar") is the sole shareholder of Sageview Ltd. Sageview Capital MGP, LLC is the sole general partner of Sageview GenPar. Edward Gilhuly is a managing member and controlling person of Sageview Capital MGP, LLC. The address for Sageview Capital Master, L.P., Mr. Gilhuly and Gilhuly Investment Partners LLC is c/o Sageview Capital LP, 245 Lytton Avenue, Suite 250, Palo Alto, CA 94301.
- (5) Consists of (i) 668 shares of Class A common stock held by Mr. Goldman, (ii) 8,293 shares of Class A common stock held in the Goldman-Valeriotte Family Trust, and (iii) 80,416 shares of Class B common stock subject to options held by Mr. Goldman that are exercisable within 60 days of March 31, 2017. Kenneth Goldman and Susan Valeriotte are co-trustees and have shared voting and investment power over the shares owned by the Goldman-Valeriotte Family Trust.
- (6) Consists of (i) 378 shares of Class A common stock held by Mr. Gotcher, (ii) 7,999 shares of Class A common stock held in the Gotcher Family Trust, (iii) 54,348 shares of Class B common stock held by The Peter and Marie-Helene Gotcher Family Trust, (iv) 1,630 shares of Class B common stock held by Mr. Gotcher, (v) 17,234 shares of Class B common stock subject to options held by Mr. Gotcher that are exercisable within 60 days of March 31, 2017, and (vi) 6,049 shares of Class A common stock subject to options held by Mr. Gotcher that are exercisable within 60 days of March 31, 2017. Mr. Gotcher is the President of The Peter and Marie-Helene Gotcher Family Trust.
- (7) Consists of (i) 18,683 shares of Class A common stock held by the Alexander J Lurie Trust dtd 10/16/2007, and (ii) 11,588 shares of Class B common stock subject to options held by Mr. Lurie that are exercisable within 60 days of March 31, 2017. Mr. Lurie is the sole trustee and beneficiary of the Alexander J Lurie Trust dtd 10/16/2007.
- (8) Ms. Lyne joined our board as of April 21, 2017.
- (9) Consists of 7,624 shares of Class A common stock held by Lauren Zalaznick and Phelim Dolan.
- (10) Consists of (i) 94,989 shares of Class A common stock held by Mr. Bates, (ii) 367,078 shares of Class A common stock subject to options held by Mr. Bates that are exercisable within 60 days of March 31, 2017, (iii) 25,529 shares of Class A common stock subject to restricted stock units held by Mr. Bates the may settle within 60 days of March 31, 2017, and (iv) 2,229,666 shares of Class B common stock subject to options held by Mr. Bates that are exercisable within 60 days of March 31, 2017.
- (11) Consists of (i) 276 shares of Class A common stock held by Mr. McGee's spouse, and (ii) 39,625 shares of Class A common stock subject to options held by Mr. McGee that are exercisable within 60 days of March 31, 2017.
- (12) Consists of (i) 168 shares of Class A common stock held by Ms. Zezima, (ii) 28,467 shares of Class A common stock subject to options held by Ms. Zezima that are exercisable within 60 days of March 31, 2017, and (iii) 51,531 shares of Class B common stock subject to options held by Ms. Zezima that are exercisable within 60 days of March 31, 2017.
- (13) Consists of (i) 28,238 shares of Class A common stock, and (ii) 305,835 shares of Class B common stock subject to options held by Mr. Lazar that are exercisable within 60 days of March 31, 2017.
- (14) Consists of (i) 1,268,067 shares of Class A common stock, (ii) 36,465,940 shares of Class B common stock, (iii) 477,833 shares of Class A common stock subject to options that are exercisable within 60 days of March 31, 2017, (iv) 25,529 shares of Class A common stock subject to restricted stock units that may settle within 60 days of March 31, 2017, (v) 2,684,682 shares of Class B common stock subject to options that are exercisable within 60 days of March 31, 2017, and (vi) 166,666 shares of Class B common stock subject to restricted stock units that may settle within 60 days of March 31, 2017.

- ⁽¹⁵⁾ Consists of 30,760,716 shares of Class B common stock held by the Woodman Family Trust under Trust Agreement dated March 11, 2011 of which Nicholas Woodman and Jill Woodman are co-trustees. As a co-trustee, Mr. Woodman may be deemed to have shared voting and investment power over the shares owned by the Woodman Family Trust.
- ⁽¹⁶⁾ Based on a Schedule 13G filing made on January 30, 2017. Consists of 6,253,462 shares of Class A common stock held by BlackRock, Inc. The address for BlackRock, Inc. is 55 East 52nd Street, New York, NY 10055.
- ⁽¹⁷⁾ Based on a Schedule 13G filing made on February 13, 2017. Consists of 6,313,910 shares of Class A common stock held by The Vanguard Group — 23-1945930. The address for The Vanguard Group — 23-1945930 is 100 Vanguard Blvd., Malvern, PA 19355.

EXECUTIVE OFFICERS

The names of our current executive officers, their ages as of March 31, 2017, and their positions are shown below.

Executive Officers	Age	Position(s)
Nicholas Woodman	41	Chief Executive Officer and Chairman
Charles “CJ” Prober	45	Chief Operating Officer
Brian McGee	57	Chief Financial Officer
Sharon Zezima	52	General Counsel

Our board of directors chooses executive officers, who then serve at the board’s discretion. There is no family relationship among any of our directors or executive officers.

For information regarding Mr. Woodman, please refer to Proposal 1 above titled “Election of Directors.”

Charles “CJ” Prober has served as our Chief Operating Officer since January 2017. From June 2014 to January 2017, he served as our Senior Vice President of Software and Services. From January 2008 until May 2014, Mr. Prober served in various roles at Electronic Arts, most recently as the Senior Vice President of Digital Publishing. From January 2007 until January 2008, he was the Vice President of Legal and Business Affairs at VG Holding Company (BioWare and Pandemic Studios), a gaming company, until its acquisition by Electronic Arts. From 2003 until 2006, Mr. Prober was a consultant with McKinsey & Company, a global strategic management consulting firm and from 1998 until 2003, he was a corporate attorney at the law firm Wilson Sonsini Goodrich & Rosati, P.C. Mr. Prober holds a Bachelor of Commerce from the University of Manitoba and a Bachelor of Laws from McGill University.

Brian McGee has served as our Chief Financial Officer since March 2016. Mr. McGee served as our Vice President of Finance from September 2015 to March 2016, and was responsible for financial planning, tax, treasury and risk management in that role. From May 2011 to September 2015, Mr. McGee served in various positions at Qualcomm, most recently as the Vice President, Business Operations. Prior to Qualcomm, Mr. McGee was at Atheros Communications from December 2009 to May 2011 as the Vice President, General Manager Global Powerline Business. Prior to Atheros Communications, from January 2007 to December 2009, Mr. McGee was the Senior Vice President, Chief Financial Officer and Treasurer, at Intellon, a fabless semiconductor company that was acquired by Atheros Communications in December 2009. From 2003 to 2006, Mr. McGee was Vice President Finance and Chief Financial Officer of Lexar, a maker of digital media storage. Mr. McGee holds a B.S. in Finance from California Polytechnic State University (1983) and a Certificate in Management Accounting (1989).

Sharon Zezima has served as our General Counsel since September 2013 and as our Corporate Secretary since October 2013. From February 2012 to September 2013, Ms. Zezima was the Vice President and General Counsel at Marketo, Inc., a cloud-based marketing software company. Prior to joining Marketo, Ms. Zezima served in various positions at Electronic Arts Inc., a developer and distributor of interactive entertainment content and services, from September 2000 to February 2012, most recently as Vice President and Deputy General Counsel. Ms. Zezima holds a J.D. from the University of Chicago and an A.B. in American Studies from Smith College.

COMPENSATION DISCUSSION AND ANALYSIS

Introduction

GoPro's executive compensation programs, policies and practices ("ECPs") are designed to reflect the three major tenets of our executive compensation philosophy, namely to:

- Align executive compensation with achievement of our business objectives and financial performance;
- Motivate executive officers to take actions that enhance long-term stockholder value; and
- Enable us to attract, retain and reward our executives who contribute to our success.

We manage our ECPs, including compensation-related corporate governance standards, in a manner consistent with our executive compensation philosophy. These ECPs are intended to both drive performance and either prohibit or minimize behaviors that we do not believe serve our stockholders' long-term interests.

Executive Compensation Best Practices

Compensation and Leadership Committee Independence	Our board of directors maintains a compensation and leadership committee comprised solely of independent directors.
Compensation and Leadership Committee Advisor Independence	The compensation and leadership committee engages and retains its own advisors. During 2016, the compensation and leadership committee engaged an independent national consulting firm to assist with its responsibilities and such firm performs no additional consulting or other services for GoPro.
Annual Compensation Review	The compensation and leadership committee annually reviews our executive compensation philosophy and strategy, including reviewing our compensation peer group utilized for appropriate comparative purposes.
Compensation-Related Risk Assessment	We conduct annual evaluations of our compensation programs, policies, and practices to ensure that they reflect an appropriate level of risk-taking but do not encourage our employees to take excessive or unnecessary risks that could have a material adverse impact on GoPro.
No Executive Perquisites	We do not offer perquisites or other personal benefits to our executive officers, including our NEOs. Our executive officers, including our NEOs, participate in our health and welfare benefit programs on the same basis as all of our employees.
"Double-Trigger" Change in Control Arrangements	The change in control post-employment compensation arrangements for our executive officers including our NEOs (other than an arrangement with Mr. Woodman) are based on a "double-trigger" arrangement that provides for the receipt of payments and benefits only in the event of (i) a change in control of our company and (ii) a qualifying termination of employment.
Reasonable Change in Control Arrangements	The post-employment compensation arrangements for our management team, including our NEOs, provide for amounts and multiples that are within reasonable market norms.
Prohibition on Hedging and Pledging	Our management team, including our NEOs, and the members of our board of directors, are prohibited from speculating in our equity securities, including the use of short sales, or any equivalent transaction involving our equity securities and from engaging in any hedging transactions with respect to our equity securities.
Succession Planning	Our board of directors reviews the risks associated with our most critical executive positions on an annual basis so that we have an adequate succession strategy, and we have plans in place for these critical positions.
Retirement Programs	Other than our Section 401(k) plan, which is generally available to all employees, we do not offer defined benefit or contribution retirement plans or arrangements or nonqualified deferred compensation plans or arrangements for our management team, including our NEOs.

Compensation Recoupment Policy In 2016, we adopted a compensation recoupment policy applicable to cash incentive-based compensation awards paid to our executive officers. In the event of a substantial restatement of financial results filed with the Securities and Exchange Commission, the policy permits the board, if the board determines appropriate under the circumstances, to seek recovery of all or any portion of the incentive awards paid or awarded to an executive officer in excess of the awards that would have been paid or awarded based on the restated financial results and the executive officer engaged in fraud or intentional illegal conduct that materially contributed to the restatement.

Stock Ownership Guidelines In 2016, GoPro adopted a stock ownership policy for our CEO, President, and non-employee directors to align their interests with those of our stockholders.

This Compensation Discussion and Analysis (“**CD&A**”) is intended to assist our stockholders in understanding GoPro’s ECPs by presenting the following:

1. **Elements of Our Executive Compensation Program** sets forth GoPro’s executive compensation philosophy and describes the practices, programs and policies we apply and utilize to support achievement of our goals and performance objectives.
2. **Business Highlights for 2016** summarizes GoPro’s results that impacted 2016 executive compensation decisions.
3. **Executive Compensation Decisions for 2016** explains compensation decisions that were made last year based on our results.
4. **Severance and Change in Control Arrangements** discusses employment agreements and policies associated with our current and departing executives.
5. **Further Considerations for Setting Executive Compensation** discusses, among other things, the role of GoPro’s compensation and leadership committee, consultants, peer group and the impact of tax and accounting considerations.

This CD&A focuses on the material elements of compensation of our go-forward NEOs as of December 31, 2016:

- Nicholas Woodman, our Chief Executive Officer and Chairman of our board of directors;
- Brian McGee, our Chief Financial Officer; and
- Sharon Zezima, our General Counsel.

Certain NEOs departed the Company in 2016 and as such information related to those former NEOs is also provided:

- Anthony Bates, our former President terminated employment in December 2016 and remains a member of our board of directors; and
- Jack Lazar, our former Chief Financial Officer terminated employment in March 2016.

In early 2017, GoPro completed a restructuring of its executive team and our board of directors designated the following additional executive officer:

- Charles “CJ” Prober, GoPro’s head of Software and Services since 2014, was appointed Chief Operating Officer in January 2017.

Elements of Our Executive Compensation Program

Compensation Philosophy and Guiding Principles

We have designed our ECPs to reward our executive officers, including our NEOs, at a level consistent with our overall strategic and financial performance and to provide remuneration sufficient to attract, retain, and motivate them to exert their best efforts in the highly-competitive technology and consumer-oriented environments in which we operate, and reward them for superior performance. We believe that competitive compensation packages consisting of a combination of base salaries, annual cash bonus opportunities, and long-term incentive

opportunities in the form of equity awards that are earned over a multi-year period, enable us to attract top talent, motivate effective short-term and long-term performance, and satisfy our retention objectives. As an overarching objective, we seek to design each pay element to align the compensation of our management team with our performance and long-term value creation for our stockholders. That principle has guided the design of both the annual and long-term incentive compensation opportunities of our executive officers.

The compensation and leadership committee periodically reviews and analyzes market trends and the prevalence of various compensation delivery vehicles and adjusts the design and operation of our executive compensation program from time to time as it deems necessary and appropriate. In designing and implementing the various elements of our executive compensation program, the compensation and leadership committee considers market and industry practices. While the compensation and leadership committee considers all of the factors in its deliberations, and places no formal weighting on any one factor in its overall compensation strategy, our bonus plan does assign weights to specific performance metrics.

As we continue to evolve as a publicly-traded company, the compensation and leadership committee will evaluate our compensation philosophy and program objectives as circumstances merit. At a minimum, we expect the compensation and leadership committee to review executive compensation annually.

Compensation Elements

The three primary elements of our executive compensation program are: (i) base salary, (ii) annual cash bonus opportunities and (iii) long-term incentives in the form of equity awards subject to multi-year vesting, as described below:

Compensation Element	What This Element Rewards	Purpose and Key Features of Element
Base salary	Individual performance, level of experience, expected future performance and contributions.	Provides competitive level of fixed compensation determined by the market value of the position, and the qualifications, experience and performance expectations of each executive officer and each individual position.
Annual cash bonuses	Achievement of pre-established corporate and individual performance objectives (for 2016, focused on our revenue growth, profitability and cost management, as well as individual contributions and management objectives).	Motivate executive officers to achieve during the fiscal year (i) short-term financial and operational objectives, and (ii) individual performance objectives. Performance levels are established to incent our executive officers to achieve or exceed performance objectives.
Long-term incentives/equity awards	Corporate and individual performance that enhance long-term stockholder value. Vesting requirements promote retention of highly-valued executive officers.	Annual stock options and RSUs that vest over four years and provide a variable “at risk” pay opportunity. Because the ultimate value of these equity awards is directly related to the market price of our Class A common stock, and the awards are vesting over an extended period of time, they serve to focus management on the creation and maintenance of long-term stockholder value and help us attract, retain, motivate, and reward executive officers.

Our executive officers also participate in the standard employee benefit plans available to most of our employees. In addition, our executive officers are eligible for post-employment (severance and change in control) payments and benefits under certain circumstances. Each of these compensation elements is discussed in detail

below, including a description of the particular element and how it fits into our overall executive compensation and a discussion of the amounts of compensation paid to our executive officers, including our NEOs, in 2016 under each of these elements.

Base Salary

We believe that a competitive base salary is a necessary element of our executive compensation program, so that we can attract and retain a stable management team. Base salaries for our executive officers are intended to be competitive with those received by other individuals in similar positions at the companies with which we compete for talent, and also to maintain internal parity across our executive team.

Generally, we establish the initial base salaries of our executive officers through arm's-length negotiation at the time we hire the individual executive officer, taking into account his or her position, qualifications, experience, prior salary level, and the base salaries of our other executive officers. Thereafter, the compensation and leadership committee reviews the base salaries of our executive officers, including our NEOs, at least annually.

Annual Cash Bonuses

We use annual cash bonuses to motivate our executive officers, including our NEOs, to achieve our short-term financial and operational objectives while making progress towards our longer-term growth and other goals. Consistent with our executive compensation philosophy, these annual bonuses are intended to help us to deliver a competitive total direct compensation opportunity to our executive officers. Annual cash bonuses are entirely performance-based, are not guaranteed and may vary materially from year-to-year.

In addition to the corporate performance objectives, the annual cash bonuses for our executive officers, including our NEOs, are also based on each executive officer's individual performance. Individual performance goals for each executive officer are identified at the beginning of the year in discussions with our Chief Executive Officer. These goals may be quantitative or qualitative in nature, depending on the organizational priorities for a given year, and typically focused on key departmental or operational objectives or functions. Most of these goals are intended to provide a set of common objectives that facilitated collaborative management and engagement, although our executive officers could also be assigned individual objectives.

Long-Term Incentive Compensation

We use long-term incentive compensation in the form of equity awards to motivate our executive officers, including our NEOs, by providing them with the opportunity to build an equity interest in GoPro and to share in the potential appreciation of the value of our common stock.

Generally, in determining the size of the equity awards granted to our executive officers, the compensation and leadership committee takes into consideration the recommendations of our Chief Executive Officer (except with respect to his own equity award), as well as the factors described above. The compensation and leadership committee also considers the dilutive effect of our long-term incentive compensation practices, and the overall impact that these equity awards, as well as awards to other employees, may have on stockholder value.

Annual equity is awarded to NEOs in the form of stock options (the right to purchase shares of our Class A common stock at a predetermined price subject to time based vesting), and RSUs which represent the right to receive shares of our Class A common stock subject to time based vesting. Fifty percent of each NEO's equity opportunity is delivered in stock options and 50% of the opportunity is delivered in RSUs. The compensation and leadership committee evaluates equity vehicles annually to determine which form of equity best aligns executive incentives with the long-term interest of our stockholders in the current period. The compensation and leadership committee may choose to utilize other performance-based equity vehicles.

Welfare and Health Benefits

We maintain a tax-qualified retirement plan under Section 401(k) of the Internal Revenue Code (the "**Code**") for our US employees, including our executive officers, who satisfy certain eligibility requirements, including requirements relating to age and length of service that provides them with an opportunity to save for retirement on a tax-advantaged basis. We intend for this plan to qualify under Sections 401(a) and 501(a) of the Code so that contributions by employees to the plan, and income earned on plan contributions, are not taxable to employees until distributed from the applicable plan.

All participants' interests in their deferrals are 100% vested when contributed under both plans. In 2016, we made matching contributions into the Section 401(k) plan for our employees, which are deductible when made by us. Under the plan, pre-tax contributions are allocated to each participant's individual account and are then invested in selected investment alternatives according to the participants' directions.

In addition, we provide other benefits to our executive officers, including our NEOs, on the same basis as all of our full-time employees. These benefits include health, dental and vision benefits, health and dependent care flexible spending accounts, short-term and long-term disability insurance, accidental death and dismemberment insurance, and basic life insurance coverage. In 2016 we transitioned from providing vacation and other paid holidays to all employees, including our executive officers, to a discretionary time-off model for all exempt employees, which resulted in a one-time payout of previously allocated but unused vacation time to all our NEOs. We do not offer our employees a non-qualified deferred compensation plan or pension plan.

We design our employee benefits programs to be affordable and competitive in relation to the market, as well as compliant with applicable laws and practices. We adjust our employee benefits programs as needed based upon regular monitoring of applicable laws and practices, the competitive market and our employees' needs.

Perquisites and Other Personal Benefits

Currently, we do not view perquisites or other personal benefits as a component of our executive compensation program. Accordingly, we do not provide perquisites to our executive officers, except in situations where we believe it is appropriate to assist an individual in the performance of his or her duties, to make our executive officers more efficient and effective, and for recruitment and retention purposes. During 2016, none of the NEOs received perquisites or other personal benefits that were, in the aggregate, \$10,000 or more. In the future, we may provide perquisites or other personal benefits to our executive officers where we believe it serves a sound business purpose. We do not expect that any future perquisites or other personal benefits will be a significant aspect of our executive compensation program. All future practices with respect to perquisites or other personal benefits will be approved and subject to periodic review by the compensation and leadership committee.

Business Highlights for 2016

Our 2016 product achievements were revolutionary for GoPro. In 2016, GoPro unveiled new cloud-connected HERO5 cameras, a cloud-based subscription service, and video editing applications that when used together, make capturing, creating and sharing content a seamless experience for our customers. We also introduced Karma, GoPro's compact, fits-in-a-small backpack drone and image stabilization grip, and Omni, GoPro's six-camera spherical array for capturing VR content. These launches were the result of significant investment in innovative products and services that all work together to provide our users with an end-to-end storytelling solution. We plan to build upon these integrated solutions to continue to provide an exceptional user experience. Highlights include the following:

- We released the cloud connected HERO5 Black and HERO5 Session cameras along with a new ecosystem of mountable, wearable and voice activated accessories. The HERO5 line of cameras are waterproof (without a housing), shoot in 4K at 30 frames per second and also feature multi-language voice control, electronic image stabilization, and have built-in Wi-Fi and Bluetooth providing connectivity with mobile devices to enable remote control, content viewing, editing and sharing functionality;
- We launched GoPro Plus, a cloud-based storage solution that enables subscribers to easily access, edit and share content;
- We launched the Quik mobile and desktop editing applications — awesome edits made easy — to enable users to quickly produce high-quality videos that are fun to create and easy to share across multiple platforms. In 2016, the Quik App was downloaded 12 million times and users shared more than 27 million times; and
- We launched Omni, GoPro's synchronized six-camera spherical array that produces high-resolution, 360-degree images and works seamlessly with our Kolor stitching software to produce immersive content for virtual reality.

Other financial and operational highlights included the following:

- We shipped 4.8 million cameras, with 2.3 million cameras shipped in the fourth quarter of 2016. Since 2009, we have shipped over 25 million HERO cameras;
- Sales outside of the United States represented 53% of our revenue in 2016, compared to 52% in 2015 and 43% in 2014;
- China with its large consumer market potential remains a top-ten country for GoPro;
- Social media views of GoPro content in 2016 reached approximately 238 million, up over 40% year-over-year, driven by a 60% year-over-year increase in Facebook views;
- According to YouTube, the equivalent of twenty-two years of content with GoPro in the title, description or keyword was uploaded to YouTube in 2016, a year-over-year increase of 35%; and
- The hours of GoPro-related content watched on YouTube in 2016 increased 86% year-over-year to approximately 78 million hours.

Executive Compensation Decisions for 2016

2016 was a year of revolution with respect to product investment and development. We are proud of the many product achievements described above which reflect our employees' and executives' successful focus on delivering the products and services that delight our users, and which we believe will drive camera and drone sales. We strive to bring value to our stockholders through this focus on products as well as operational excellence. In this regard, we must also acknowledge that 2016 was a challenging year financially given production issues that delayed unit shipments of our HERO5 Black cameras in the third and fourth quarters of 2016, and also the recall of our Karma drone which returned to shelves in February 2017. The financial targets set by our board of directors were not fully achieved and our stock price did not recover. Decisions related to base salaries, bonus payouts and equity grants reflect our challenges as well as our product achievements.

Base Salary

In 2016, the compensation and leadership committee did not adjust the base salary of Mr. Woodman nor Mr. Bates as 2015 performance did not warrant a change and their base salaries were deemed market competitive. In March 2016, Mr. McGee was promoted from Vice President of Finance to Chief Financial Officer and his base salary was increased to \$350,000 to align with the market for his position and the accountability of his new role. The compensation and leadership committee also reviewed Ms. Zezima's base salary in February 2016 and, based on its understanding of the competitive market, as well as her performance as evaluated by our Chief Executive Officer, approved an increase in her base salary to \$340,000. Mr. Lazar's base salary was not reviewed as he terminated his employment effective March 11, 2016.

The base salaries of our NEOs during 2016 are set forth in the "Summary Compensation Table" below.

Annual Cash Bonuses

In February 2017, the compensation and leadership committee decided to award cash bonus opportunities to our executive officers, including our NEOs. The CLC used its authority to select performance measures and related target levels applicable to the annual cash bonus opportunities for our executive officers and did so for 2016 (the "**2016 Bonus Plan**"). Awards under the 2016 Bonus Plan are subject to the Company's Executive Bonus Plan, which was approved by our stockholders in 2015.

Under the 2016 Bonus Plan, the performance measures involving our financial results could be determined in accordance with GAAP, or such financial results could consist of non-GAAP financial measures, subject to adjustment by the compensation and leadership committee for one-time items or unbudgeted or unexpected items when determining whether the target levels for the performance measures had been met. Individual performance would be based on a review of each executive officer's actual performance during the year by our Chief Executive Officer including any factors that he determined to be relevant and provided to the compensation and leadership committee for its consideration.

Target Bonus Opportunities

For 2016, the target annual cash bonus opportunities for each of our NEOs under the 2016 Bonus Plan, expressed as a percentage of his or her annual base salary, were as follows:

Named Executive Officer	Annual Base Salary (\$)	Target Bonus Opportunity (as a percentage of base salary) (%)	Target Bonus Opportunity (\$)
Nicholas Woodman	800,000	150	1,200,000
Anthony Bates	800,000	100	800,000
Jack Lazar ⁽¹⁾	400,000	N/A	N/A
Brian McGee	350,000	71.7 ⁽²⁾	247,917 ⁽²⁾
Sharon Zezima	340,000	59.2 ⁽²⁾	198,092 ⁽²⁾

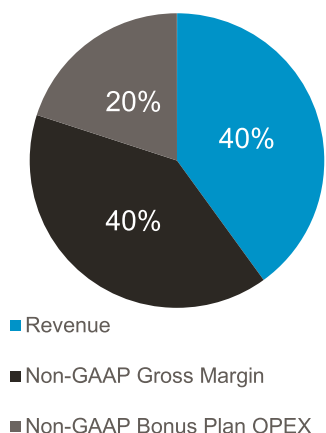
⁽¹⁾ Mr. Lazar terminated employment in March 2016.
⁽²⁾ Pro-rated based on salary change in February 2016.

The target annual cash bonus opportunities of our executive officers, including the NEOs, focused on our short-term financial objectives as reflected in our annual operating plan while, at the same time, allowed for recognition of individual contributions toward achievement of those objectives and the successful execution of each executive's individual roles and responsibilities. The target bonus opportunities differ among NEOs based on market data, position and level.

Corporate Performance Objectives

For purposes of the 2016 Bonus Plan, the compensation and leadership committee selected revenue, non-GAAP gross margin and non-GAAP bonus plan operating expense as the corporate performance measures. Each of these corporate performance measures was weighted as follows:

Corporate Performance Measures & Weights



Corporate Performance Measure	2016 Target Level
Revenue	\$1.5 billion
Non-GAAP Gross Margin	42%
Non-GAAP Bonus Plan Operating Expense	\$700 million

For purposes of the 2016 Bonus Plan, the non-GAAP corporate performance measures were to be calculated as follows:

“Non-GAAP gross margin” refers to gross margin, as calculated under GAAP, excluding the impact of stock-based compensation expense and the amortization of acquisition-related costs.

“Non-GAAP bonus plan operating expense” refers to operating expense as calculated under GAAP, excluding bonus expense and associated payroll tax, as well as the impact of stock-based compensation expense, acquisition-related costs and restructuring costs.

The compensation and leadership committee believed these performance measures were appropriate for our business because they provided a balance between generating revenue, managing our expenses and ensuring the profitability of our business, all of which the CLC believes most directly influence long-term stockholder value. Both revenue and gross margin were performance measures in 2015. However, given the amount of product investment expected in 2016 the CLC determined that close management of operating expenses was a priority, and therefore substituted operating expenses for operating profit as the appropriate corporate performance measure for the 2016 Bonus Plan. At the same time, the compensation and leadership committee established target performance levels for each of these measures at levels that it believed to be challenging, but attainable, through the successful execution of our annual operating plan.

The threshold, target, and maximum levels of achievement for each corporate performance measure and their respective payment amounts, with the actual bonus payment with respect to each measure to be determined independently, were as follows:

Corporate Performance Measure	Performance Measure Weight (%)	Threshold Performance Level	Threshold Payment Level (%)	Target Performance & Payment Level (%)	Maximum Performance Level	Maximum Payment Level (%)
Revenue	40	Above 85%	20	100	Above 113%	200
Gross Margin (Non-GAAP) . .	40	Above 90%	20	100	Above 113%	200
Bonus Plan Operating Expense (Non-GAAP) . .	20	Less than 101%	20	100	Less than 95%	130

Corporate Performance Measure	Performance Measure Weight (%)	Threshold Performance Level	Target Performance Level	Maximum Performance Level
Revenue	40	1.3 billion	1.5 billion	1.7 billion
Gross Margin (Non-GAAP)	40	37%	42%	47%
Bonus Plan Operating Expense (Non-GAAP) . .	20	644 million	699 million	706 million

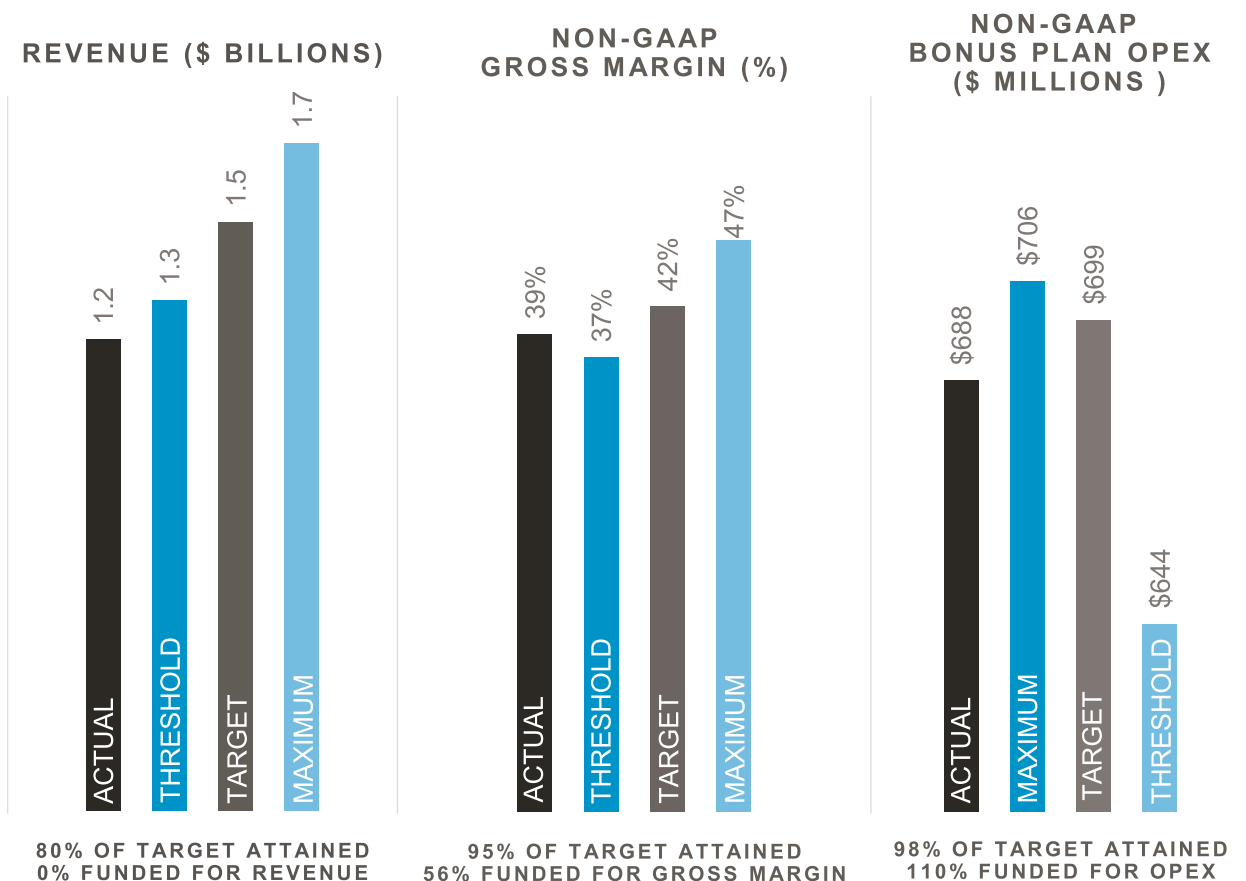
In the event actual performance results are between the threshold and target, and between target and maximum performance levels, the payment amount was to be calculated between each performance level on a linear basis. Notwithstanding the foregoing, the compensation and leadership committee retains the discretion to decrease any bonus, or increase any bonus beyond the amount calculated pursuant to this table, up to an amount not exceeding 130% of actual investment.

Individual Performance

After the end of the year, our Chief Executive Officer evaluated each executive officer's individual performance based on his assessment of the officer's individual results and contributions to our executive team, recommended a total bonus payout based on corporate performance results as calculated under the plan and individual contribution to such corporate performance results, and then submitted these recommendations to the compensation and leadership committee for review and approval. In the case of our Chief Executive Officer, his performance was evaluated and payment was determined by the compensation and leadership committee. Bonus payments under the 2016 Bonus Plan could not exceed 130% of each executive officer's target annual cash bonus opportunity based on performance versus the corporate financial performance metrics identified above.

2016 Performance Results and Bonus Decisions

In February 2017, the compensation and leadership committee determined that, based on actual 2016 performance with respect to each corporate performance measure, weighted and combined payout results were at 45% of target bonus opportunities, reflecting achievement of 80% of the revenue target, 95% of the gross margin target and 98% of the operating expense target. Reconciliations of GAAP to the non-GAAP gross margin and non-GAAP bonus plan operating expense corporate performance measures are set forth in Appendix A.



Based on its review of our overall corporate performance, and assessment of our Chief Executive Officer's individual performance in relation to our product successes and product challenges for 2016, the CLC approved a bonus payment of 25% of target for Mr. Woodman, which was below the Company's combined results of 45% of target. The CLC also approved our Chief Executive Officer's recommendations for bonus payments to Mr. McGee and Ms. Zezima at 58%; the maximum 130% of the Company's combined results of 45%. Their payments reflect their contributions toward our product and corporate results as members of GoPro's executive team as well as attainment of individual objectives related to their respective finance and legal functions. The payouts were as follows:

Named Executive Officer	Target Annual Cash Bonus Opportunity (\$)	Actual Annual Cash Bonus Payment (\$)	Percentage of Target Annual Cash Bonus Opportunity
Nicholas Woodman	1,200,000	300,000	25%
Anthony Bates ⁽¹⁾	800,000	N/A	N/A
Jack Lazar ⁽²⁾	N/A	N/A	N/A
Brian McGee ⁽³⁾	247,917 ⁽³⁾	143,291	58%
Sharon Zezima ⁽³⁾	198,092 ⁽³⁾	114,797	58%

⁽¹⁾ Mr. Bates terminated employment December 31, 2016.

⁽²⁾ Mr. Lazar terminated employment March 11, 2016.

⁽³⁾ Pro-rated based on salary and bonus target changes in February 2016.

The annual cash bonuses paid to our NEOs for 2016 are also set forth in the “Summary Compensation Table” below, under the column “Non-Equity Incentive Plan Compensation.”

Long-Term Incentive Compensation

Equity Awards for Named Executive Officers

In February 2016, Mr. McGee and Ms. Zezima were awarded options to purchase shares of our Class A common stock and RSUs that may be settled in shares of our Class A common stock. Mr. McGee and Ms. Zezima’s awards were based on the competitive market for their respective roles, contributions in 2015 and expected long-term contributions to GoPro. In May and June, Mr. Bates was awarded options to purchase shares of our Class A common stock and RSUs that may be settled in shares of our Class A common stock to ensure his retention in hopes of his expected long-term contributions to the company. The CLC did not grant Mr. Woodman an equity award in 2016 based on 2015 performance results and the belief that as GoPro’s founder and majority stockholder Mr. Woodman’s interests continue to be well aligned with those of our stockholders.

In 2016, the compensation and leadership committee engaged Compensia to review the various long-term incentive vehicles used by our peers and determined that using a mix of 50% stock options and 50% RSUs continues to be the best approach for GoPro to attract and retain key talent in our industry and align our executive officers’ interests with the long-term interests of our stockholders.

The equity awards granted to our NEOs in 2016 are set forth in the “Summary Compensation Table” and the “2016 Grants of Plan-Based Awards Table” below.

Severance and Change in Control Arrangements

Employment Arrangements

We have extended written employment offer letters to each of our executive officers, including our Chief Executive Officer and our other NEOs. Each of these arrangements was approved on our behalf by our board of directors or the compensation and leadership committee, as applicable. We believe that these arrangements were appropriate to induce these individuals to forego other employment opportunities or leave their current employer for the uncertainty of a demanding position in a new and unfamiliar organization.

In entering into these arrangements, our board of directors or the compensation and leadership committee, as applicable, was aware that it would be necessary to recruit candidates with the requisite experience and skills to manage a growing business in a dynamic and ever-changing environment. Accordingly, it recognized that it would need to develop competitive compensation packages to attract qualified candidates in a highly-competitive labor market. At the same time, our board of directors or the compensation and leadership committee, as applicable, was sensitive to the need to integrate new executive officers into the executive compensation structure that it was seeking to develop, balancing both competitive and internal equity considerations.

Each of these employment arrangements provides for “at will” employment and sets forth the initial or ongoing compensation arrangements for the NEO, including an initial or ongoing base salary, a target annual cash bonus opportunity, and, in some instances, a recommendation for an equity award in the form of stock options or RSUs.

For a summary of the material terms and conditions of the employment arrangements with each of our NEOs, see “Employment, Severance and Change in Control Agreements” below.

Post-Employment Compensation

In January 2014, we adopted a change in control and severance policy, with benefits tied to a qualifying termination in the event of a change in control applicable to our executive officers and certain other employees pursuant to which each individual entered into a written agreement governing such situations. We believe that the severance policy serves several objectives. First, it eliminates the need to negotiate separation payments and benefits on a case-by-case basis. Second, it also helps assure an executive officer that his or her severance payments and benefits are comparable to those of other executive officers with similar levels of responsibility and tenure. Further, it acts as an incentive for our executive officers to remain employed and focused on their

responsibilities during the pendency or negotiation of a change in control transaction, which we believe would help to preserve our value and the potential benefit to be received by our stockholders in the transaction. Finally, the severance policy is easier for us to administer than individually negotiated severance agreements, as it requires less time and expense in negotiation or execution.

The severance policy contemplates that the payments and benefits in the event of a change in control of our company are payable only upon a “double trigger”; that is, only following a change in control and a qualifying termination of employment, including a termination of employment without cause or a resignation for good reason, and in each case requires that the NEO execute a release of claims in our favor.

As a result of this policy, we subsequently entered into change in control severance agreements with each of our executive officers, including each of our NEOs.

The agreements with our executive officers, including each of our NEOs (other than our Chief Executive Officer) require us to provide certain payments and benefits upon a qualifying termination of employment, which includes a termination of employment without cause or where the NEO resigns with good reason, within three months preceding or 12 months following a change in control of our company. The receipt of these payments and benefits are contingent upon the NEO’s execution, delivery, and non-revocation of a release and waiver of claims satisfactory to us following the separation from service. In addition, for six months following termination of employment, and as a condition to the payments and benefits, the NEO must cooperate with any transition efforts that we request and must not disparage us, or our directors, officers, or employees.

We entered into an employment letter with Mr. Woodman in June 2014, the terms of which supersede in their entirety the change in control and severance agreement he executed in January 2014. For descriptions of the change in control severance arrangements with each of our NEOs see “Estimated Payments and Benefits as of December 31, 2016” below.

Employment, Severance and Change in Control Agreements

Arrangements with Mr. Woodman

Under his employment letter dated June 2, 2014, Mr. Woodman is eligible to receive severance payments and benefits upon a qualifying termination of employment, including a termination of employment in connection with a change in control of our company. In addition, the grant terms of the outstanding RSUs held by our Chief Executive Officer provide for vesting and acceleration pursuant to a provision that supersedes any acceleration that would have been provided under his employment letter.

If Mr. Woodman’s employment is terminated by us for any reason other than cause or he resigns for good reason prior to a change in control of GoPro, he will be eligible to receive:

- a single lump sum payment equal to the sum of 12 months of his then-current base salary and target bonus (assuming a 150% achievement threshold);
- an additional payment equal to the *pro-rata* portion of his actual target bonus for the year of his termination of employment; and
- continuation of benefits under COBRA for 12 months following his termination of employment (or if applicable law requires otherwise, a lump sum payment equal to that amount).

If Mr. Woodman’s employment is terminated by us for any reason other than cause or he resigns for good reason within 24 months following a change in control of GoPro, he will be eligible to receive:

- a single lump sum payment equal to the sum of 24 months of his then-current base salary and target bonus (assuming a 150% achievement threshold);
- an additional payment equal to the *pro-rata* portion of his actual target bonus for the year of his termination of employment;

- full accelerated vesting of all of the shares of our common stock subject to his then-outstanding equity awards (other than his Initial RSU award granted in June 2014), if any; and
- continuation of benefits under COBRA for 18 months following his termination of employment (or if applicable law requires otherwise, a lump sum payment equal to that amount).

These payments and benefits are conditioned on Mr. Woodman's execution and delivery of an irrevocable release to us within the 60 days following his termination of employment.

Further, if we undergo a change in control, any payments that would be "parachute payments" within the meaning of Section 280G of the Code will be reduced so that Mr. Woodman retains, on an after-tax basis, the greatest amount of these payments.

In June 2014, our board of directors granted Mr. Woodman RSUs that may be settled for up to 4,500,000 shares of our Class B Common Stock, subject to vesting in tranches of 1,500,000 shares each (the "**Woodman RSU Award**"), as further described in the footnotes to the "Outstanding Equity Awards" table. The Woodman RSU Award further provides that, upon a change in control that occurs prior to the termination of his services, a portion of the second tranche of the Woodman RSU Award will vest (regardless of any service-based vesting conditions) to the extent that the acquisition price per share of the transaction exceeds the initial public offering price of our common stock, such that the second tranche will fully vest if the acquisition price exceeds \$34.03 per share. Similarly, a portion of the third tranche of this RSU award will vest (regardless of any service-based vesting conditions) to the extent that the acquisition price per share exceeds \$34.03, such that the third tranche will fully vest if the acquisition price exceeds \$44.24 per share.

Arrangements with Mr. Bates

Mr. Bates terminated employment as our President effective December 31, 2016. In connection with Mr. Bates' departure, he received the severance benefits described below in "Estimated Payments and Benefits as of December 31, 2016." Mr. Bates remains a member of GoPro's board of directors.

Pursuant to his Separation Agreement and Release of Claims dated December 15, 2016, in connection with his departure Mr. Bates received the following payments and benefits:

- \$800,000, representing 12 months of his then-current base salary;
- \$800,000, representing an amount equal to his target annual bonus for 2016;
- \$800,000, representing an amount equal to his target annual bonus for 2017;
- If elected, \$36,000 representing \$3,000 per month for 12 months in lieu of employee benefits;
- Vesting accelerated on 25% of the shares initially subject to each of Mr. Bates' equity grants; and
- Additionally, subject to his continuing to serve as a member of GoPro's board of directors, Mr. Bates will continue vesting as to 25% of his remaining outstanding and unvested equity awards per the original vesting schedule of the award, which vesting will accelerate upon a change in control to the extent still outstanding at that time.

Arrangements with Mr. McGee

In September 2015, we entered into an employment offer letter with Mr. McGee. Among other things, this letter provided that, subject to the approval of the board of directors, Mr. McGee would be granted an option to purchase 30,000 shares of our Class A common stock, which would vest as to 25% of the shares subject to the option on the first anniversary of his commencement of employment and thereafter in equal monthly installments over 36 months thereafter, subject to his continuous employment as of each vesting date. The letter also provided subject to the approval of the board of directors, a grant of 15,000 RSUs which will vest in four equal annual installments of 25% each based on continuous service.

Under his change in control and severance agreement dated September 28, 2015, in the event that we terminate his employment for any reason other than cause or he voluntarily resigns his employment for good reason within the three-month period preceding or the 12-month period following a change in control of GoPro, Mr. McGee is eligible to receive severance payments and benefits as follows:

- 12 months of his then-current base salary;
- 100% of his target annual bonus;
- \$3,000 per month for 12 months in lieu of employee benefits; and
- all of the shares of our common stock subject to each then-outstanding and unvested equity award held by Mr. McGee will accelerate and become vested and exercisable in full immediately prior to his separation from service.

Further, if we undergo a change in control, any payments that would be “parachute payments” within the meaning of Section 280G of the Code will be reduced so that Mr. McGee retains, on an after-tax basis, the greatest amount of these payments.

Arrangements with Ms. Zezima

In August 2013, we entered into an employment offer letter with Ms. Zezima. Among other things, this letter provided that, subject to the approval of the board of directors, Ms. Zezima would be granted an option to purchase 75,000 shares of our Class B common stock, which would vest as to 25% of the shares subject to the option on the first anniversary of her commencement of employment and thereafter in equal monthly installments over 36 months thereafter, subject to her continuous employment as of each vesting date.

Under her change in control and severance agreement dated January 13, 2014, in the event that we terminate her employment for any reason other than cause or she voluntarily resigns her employment for good reason within the three-month period preceding or the 12-month period following a change in control of GoPro, Ms. Zezima is eligible to receive severance payments and benefits as follows:

- 12 months of her then-current base salary;
- 100% of her target annual bonus or, if greater, her most recent actual annual bonus;
- \$3,000 per month for 12 months in lieu of employee benefits; and
- all of the shares of our common stock subject to each then-outstanding and unvested equity award held by Ms. Zezima will accelerate and become vested and exercisable in full immediately prior to her separation from service.

Further, if we undergo a change in control, any payments that would be “parachute payments” within the meaning of Section 280G of the Code will be reduced so that Ms. Zezima retains, on an after-tax basis, the greatest amount of these payments.

Severance and change in control arrangements for all NEOs who currently serve as executive officers are set forth in the “Estimated Payments and Benefits as of December 31, 2016” table below.

Arrangements with Mr. Lazar

Mr. Lazar terminated his employment as our Chief Financial Officer effective March 11, 2016. Pursuant to his amended change in control severance agreement dated June 8, 2014, in connection with his departure Mr. Lazar received the following payments and benefits:

- \$400,000, representing 12 months of his then-current base salary;
- \$388,336, representing an amount equal to his annual bonus for 2015;
- \$36,000, representing \$3,000 per month for 12 months in lieu of employee benefits; and
- continued vesting of his then-outstanding and unvested equity awards subject to his providing services as a consultant until March 10, 2017.

Further Considerations for Setting Executive Compensation

Compensation-Setting Process

Role of the Compensation and Leadership Committee

The compensation and leadership committee is responsible for establishing our overall compensation philosophy and reviewing and approving our executive compensation program, including the specific compensation of our executive officers, including our NEOs. The compensation and leadership committee has the authority to retain special counsel and other advisors, including compensation consultants, to assist in carrying out its responsibilities to determine the compensation of our executive officers and has retained a compensation consultant, Compensia, as discussed below. The compensation and leadership committee's authority, duties, and responsibilities are described in its charter, which is reviewed annually and revised and updated as warranted. The charter is available on our website at <http://investor.gopro.com>.

In determining our overall compensation philosophy and approving the compensation of our executive officers, the compensation and leadership committee is assisted by its compensation consultant, as well as our Chief Executive Officer, Senior Vice President, People, and our executive compensation staff to formulate recommendations with respect to specific compensation actions. The compensation and leadership committee makes all final decisions regarding compensation, including base salary levels, target annual cash bonus opportunities, actual cash bonus payments, and long-term incentives in the form of equity awards that are earned over a multi-year period. The compensation and leadership committee meets on a regularly-scheduled basis and at other times as needed and periodically reviews compensation matters with our board of directors.

At the beginning of each year, the compensation and leadership committee reviews our executive compensation program, including any incentive compensation plans and arrangements, to assess whether our compensation elements, actions and decisions are (i) properly coordinated, (ii) aligned with our vision, mission, values and corporate goals, (iii) provide appropriate short-term and long-term incentives for our executive officers, (iv) achieve their intended purposes and (v) are competitive with the compensation of executives in comparable positions at the companies with which we compete for executive talent. Following this assessment, the compensation and leadership committee may make any necessary or appropriate modifications to our existing plans and arrangements or adopt new plans or arrangements.

The compensation and leadership committee also conducts an annual review of our executive compensation strategy to ensure that it is appropriately aligned with our business strategy and achieving our desired objectives. Further, the compensation and leadership committee reviews market trends and changes in competitive compensation practices, as further described below.

The factors to be considered by the compensation and leadership committee in determining the compensation of our executive officers, including our NEOs, include:

- the recommendations of our Chief Executive Officer, and Senior Vice President, People (except with respect to their own compensation) as described below;
- our corporate growth and other elements of financial performance;
- our corporate and individual achievements against one or more short-term and long-term performance objectives;
- the individual performance of each executive officer against his or her business objectives;
- a review of the relevant competitive market analysis prepared by its compensation consultant (as described below);
- the expected future contribution of the individual executive officer;
- historical compensation decisions we have made regarding our executive officers; and
- internal pay equity based on the impact on our business and performance.

The compensation and leadership committee does not weigh these factors in any predetermined manner, nor does it apply any formulas in making its decisions. The members of the compensation and leadership committee

consider this information in light of their individual experience, knowledge of GoPro, knowledge of each executive officer, knowledge of the competitive market and business judgment in making their decisions regarding executive compensation and our executive compensation program.

As part of this process, the compensation and leadership committee evaluates the performance of our Chief Executive Officer each year and makes all decisions regarding his base salary adjustments, target annual cash bonus opportunities, actual cash bonus payments and long-term incentives in the form of equity awards that are earned over a multi-year period. Our Chief Executive Officer is not present during any of the deliberations regarding his compensation.

Role of our Chief Executive Officer

Our Chief Executive Officer works closely with the compensation and leadership committee in determining the compensation of our other executive officers, including the other NEOs. Our Chief Executive Officer works with the compensation and leadership committee to recommend the structure of the annual bonus plan, and to identify and develop corporate and individual performance objectives for such plan, and to evaluate actual performance against the selected measures. Our Chief Executive Officer also makes recommendations to the compensation and leadership committee as described in the following paragraph and is involved in the determination of compensation for the executive officers who report to him.

At the beginning of each year, our Chief Executive Officer reviews the performance of our other executive officers, including the other NEOs, for the previous year, and then shares these evaluations with, and makes recommendations to, the compensation and leadership committee for each element of compensation. Using his evaluation of each executive officer's performance and taking into consideration historical compensation awards to our executive officers and our corporate performance during the preceding year, our Chief Executive Officer makes recommendations regarding base salary adjustments, target annual cash bonus opportunities, actual bonus payments, and long-term incentives in the form of equity awards subject to multi-year vesting for each of our executive officers (other than himself) based on our financial and operating results, the individual executive officer's contribution to these results, and his or her performance toward achieving his or her individual performance goals. The compensation and leadership committee then reviews these recommendations and considers the other factors described above and makes decisions as to the target compensation of each executive officer (other than our Chief Executive Officer), as well as each individual compensation element.

While the compensation and leadership committee will consider our Chief Executive Officer's recommendations, as well as the competitive market analysis prepared by its compensation consultant, Compensia, these recommendations and market data serve as only two of several factors that the compensation and leadership committee considers in making its decisions with respect to the compensation of our executive officers. No executive officer participates in the determination of the amounts or elements of his or her own compensation.

Role of Compensation Consultant

Pursuant to its charter, the compensation and leadership committee has the authority to engage its own legal counsel and other advisors, including compensation consultants, as determined in its sole discretion, to assist in carrying out its responsibilities. The compensation and leadership committee has the authority to make all determinations regarding the engagement, fees, and services of these advisors, and any such advisor reports directly to the compensation and leadership committee.

In 2016, pursuant to this authority, the compensation and leadership committee engaged Compensia, a national compensation consulting firm, to provide information, analysis, and other assistance relating to our executive compensation program on an ongoing basis. The nature and scope of the services provided to the compensation and leadership committee by Compensia in 2016 were as follows:

- developed our compensation peer group;
- provided advice with respect to compensation best practices, regulatory developments and market trends for executive officers and members of our board of directors;
- conducted an analysis of long-term incentive equity practices for our peers and advised on design of our long-term incentive plans;

- conducted an analysis of the levels of overall compensation and each element of compensation for our executive officers;
- conducted an analysis of the levels of overall compensation and each element of compensation for the members of our board of directors;
- provided design advice on our short-term annual incentive bonus plan; and
- provided *ad hoc* advice and support throughout the year.

Representatives of Compensia attend meetings of the compensation and leadership committee as requested and also communicate with the compensation and leadership committee outside of meetings. Compensia reports to the compensation and leadership committee rather than to management, although Compensia may meet with members of management, including our Chief Executive Officer, our Senior Vice President, People, and members of our executive compensation staff, for purposes of gathering information on proposals that management may make to the compensation and leadership committee.

The compensation and leadership committee has assessed the independence of Compensia taking into account, among other things, the various factors as set forth in Exchange Act Rule 10C-1 and the enhanced independence standards and factors set forth in the applicable listing standards of the NASDAQ Stock Market, and has concluded that its relationship with Compensia and their respective work on behalf of the compensation and leadership committee has not raised any conflict of interest.

Competitive Positioning

Given our unique history and business, market competitors and geographical location, the compensation and leadership committee believes that the competitive market for executive talent includes publicly traded technology companies, including Internet-based product and services companies. Accordingly, it develops a compensation peer group to contain a carefully-selected cross-section of public companies using factors described below, with revenues and market capitalizations that are similar to ours and that may also compete in a similar market for executive talent.

Compensation Peer Group

In November 2015, the compensation and leadership committee directed Compensia to formulate a group of peer companies to be used as a reference for market positioning and for assessing competitive market practices in connection with making 2016 executive compensation decisions. Compensia undertook a detailed review of the pool of U.S.-based publicly-traded companies, taking into consideration our industry sector, the size of such companies (based on revenues and market capitalization) relative to our size and growth rate, and the following additional factors:

- the comparability of the company's business model;
- the comparability of the company's revenue and market capitalization;
- the comparability of the company's primary sales channels, including via the Internet;
- the company's consumer products and/or business services focus;
- the comparability of the company's operating history;
- the comparability of the company's organizational complexities and growth attributes;
- the stage of the company's maturity curve (which increases its likelihood of attracting the type of executive talent for whom we compete); and
- the comparability of the company's operational performance (for consistency with our strategy and future performance expectations).

Following this review, Compensia recommended to the compensation and leadership committee a peer group of 18 information technology and consumer-oriented companies, which the compensation and leadership committee subsequently approved. The selected companies had revenues ranging from \$845 million to \$4.2 billion and market capitalizations ranging from \$1.3 billion to \$20.3 billion, which were comparable peers at the time of selection. The compensation and leadership committee reviewed the compensation data drawn from

the compensation peer group to develop a representation of the “competitive market” specifically tailored to GoPro with respect to current executive compensation levels and related policies and practices. The compensation and leadership committee then evaluated how its contemplated compensation actions and decisions compared to the competitive market.

The companies comprising the compensation peer group were as follows:

Akamai Technologies	Lending Club	Skyworks Solutions
Dealertrack Technologies	Logitech	Solera Holdings
F5 Networks	Palo Alto Networks	Trip Advisor
Fitbit	Pandora Media	Twitter
Fortinet	Rackspace Hosting	Workday
Garmin	Red Hat	Zebra Technologies
IPG Photonics	ServiceNow	

This peer group was referenced and informed executive compensation decisions including setting of base salary, annual bonus targets and equity grants made in February 2016. Due to the decrease in GoPro’s market capitalization, Compensia was engaged to complete a new study of peers in March 2016. A revised group of 16 peers was approved by the compensation and leadership committee in May which informed compensation decisions through the remainder of 2016 and into 2017, including evaluation of vehicles for long term incentives. The revised selection of companies had revenues ranging from \$810 million to \$4.0 billion and market capitalizations ranging from \$400 million to \$6.5 billion.

The companies comprising the revised compensation peer group were as follows:

Cirrus Logic	Pandora Media	Stratasys
Fitbit	Plantronics	Super Micro Computer
Garmin	Polycom	Synaptics
IPG Photonics	Rackspace Hosting	Zebra Technologies
LendingClub	Shutterfly	
Logitech	Square	

The compensation and leadership committee does not believe that it is appropriate to make compensation decisions, whether regarding base salaries or short-term or long-term incentive compensation, using solely benchmarking as guidance. The committee, however, does believe that information regarding the compensation practices at our compensation peer group is useful in two respects. First, the compensation and leadership committee recognizes that our compensation policies and practices must be competitive in the marketplace. Second, this information is useful in assessing the reasonableness and appropriateness of individual executive compensation elements and of our overall executive compensation packages.

Other Compensation Policies

Compensation Recoupment Policy

In 2016, we adopted a compensation recoupment policy applicable to cash incentive-based compensation awards paid to our executive officers. In the event of a substantial restatement of financial results filed with the Securities and Exchange Commission, the policy permits the board, if the board determines appropriate under the circumstances, to seek recovery of all or any portion of the incentive awards paid or awarded to an executive officer in excess of the awards that would have been paid or awarded based on the restated financial results and the executive officer engaged in fraud or intentional illegal conduct that materially contributed to the restatement.

In addition, pursuant to Section 304 of the Sarbanes-Oxley Act of 2002, as applicable to all public companies, we may be legally required to seek reimbursement from our Chief Executive Officer and Chief Financial Officer if, as a result of their misconduct, we restate our financial results due to our material noncompliance with any financial reporting requirements under the federal securities laws.

Equity Incentive Award Grant Policy

It is our policy to avoid the granting of equity awards close in time to the release of material non-public information, and we have adopted a written equity incentive award grant policy to specify the timing of the

effectiveness of our equity awards to avoid such timing. This policy provides the following guidelines to be observed by the compensation and leadership committee and our board of directors in administering the grant of equity awards under our equity compensation plans:

- our board of directors has delegated to the compensation and leadership committee the express authority to administer our 2014 Equity Incentive Plan (the “**2014 Plan**”), including the authority to grant awards under the 2014 Plan;
- our board of directors has delegated to the equity management committee (a committee consisting solely of our Chief Executive Officer) the non-exclusive authority to grant equity awards to employees below the level of executive staff vice president where the awards fall within standard guidelines approved by the compensation and leadership committee and subject to a limitation on the number of shares of our common stock that may be granted in any year;
- if the equity management committee approves equity awards on or before the 15th day of the month, the awards will be granted effective as of the 15th day of that month, and if it approves such equity awards after the 15th of the month, the grant date for these awards will be the approval date;
- all equity awards granted outside the equity management committee guidelines or to our employees at or above the level of vice president who serve on the Company’s executive staff must be approved by the compensation and leadership committee; and
- all equity awards to the non-employee members of our board of directors, other than newly appointed directors, will be granted automatically in accordance with the terms of our Director Compensation Policy. Grants to newly appointed directors follow the terms of the Director Compensation Policy.

Under our 2014 Plan, the exercise price of any option to purchase shares of our Class A common stock may not be less than the fair market value (based on the market closing price) of our Class A common stock on the date of grant.

Stock Ownership Guidelines

In 2016, our board of directors adopted a stock ownership policy to better align the interests of our CEO, President, and our non-employee directors with the interests of our stockholders. Pursuant to our policy, our CEO and President are each required to achieve ownership of GoPro common stock valued at five times and three times their annual base salary, respectively. Our non-employee directors are required to achieve ownership of GoPro common stock valued at five times the amount of the annual retainer payable to directors within five years of joining the Board. The ownership levels of our 2016 NEOs as of March 31, 2016 are set forth in the beneficial ownership table section.

Derivatives Trading and Hedging and Pledging Policies

We have adopted a policy prohibiting our employees, including our executive officers, and members of our board of directors from speculating in our equity securities, including the use of short sales or any equivalent transaction involving our equity securities. In addition, they may not engage in any other hedging or monetization transactions or trading on margin and other similar or related arrangements, with respect to the securities that they hold. Finally, no employee, including an executive officer, or member of our board of directors may acquire, sell, or trade in any interest or position relating to the future price of our equity securities.

Rule 10b5-1 Sales Plans

Certain of our directors and executive officers have adopted written plans, known as Rule 10b5-1 plans, in which they have contracted with a broker to buy or sell shares of our common stock on a periodic basis. Under a Rule 10b5-1 plan, a broker executes trades pursuant to parameters established by the director or officer when entering into the plan, without further direction from the director or officer. The director or officer may amend or terminate the plan in some circumstances. The adoption, amendment, termination and certain other actions with respect to Rule 10b5-1 plans must comply with the terms of our Policy on Securities Trades by GoPro, Inc. Personnel and the GoPro, Inc. Requirements for Trading Plans.

Frequency of Say-on-Pay Advisory Vote

As previously reported, at our 2015 annual meeting of stockholders, our stockholders selected, on a non-binding advisory basis, three years as the frequency at which GoPro will hold a non-binding advisory vote to approve the compensation to be paid by us to our NEOs. Based on these results, our board of directors has determined that we will conduct future stockholder advisory votes regarding compensation awarded to our NEOs once every three years. This policy will remain in effect until the next stockholder vote on the frequency of stockholder advisory votes on the compensation of NEOs, expected to be held at our 2021 annual meeting of stockholders.

Tax and Accounting Considerations

Deductibility of Executive Compensation

Section 162(m) generally disallows a deduction for federal income tax purposes to any publicly-traded corporation for any remuneration in excess of \$1 million paid in any taxable year to its chief executive officer and each of the three other most highly-compensated executive officers (other than its chief financial officer). Generally, remuneration in excess of \$1 million may be deducted if, among other things, it qualifies as “performance-based” compensation within the meaning of the Code or qualifies for a different exemption. In this regard, the compensation income realized upon the exercise of options to purchase shares of the granting company’s securities granted under a stockholder-approved stock option plan generally will be deductible. Conversely, the compensation income realized upon the vesting of RSUs that are subject to time-based vesting requirements generally will not be deductible since such awards do not qualify as “performance-based” compensation. Certain of the cash bonus awards under the 2016 Bonus Plan may not be entitled to a deduction for payments made in 2017.

The compensation and leadership committee seeks to qualify the incentive compensation paid to the covered executive officers for the “performance-based” compensation exemption from the deduction limit under Section 162(m) when it believes such action is in our best interests. In approving the amount and form of compensation for our executive officers, the compensation and leadership committee believes that the potential deductibility of the compensation payable under those plans and arrangements should be only one of a number of relevant factors taken into consideration, and not the sole governing factor. Accordingly, the compensation and leadership committee considers all elements of the cost to us of providing such compensation, including the potential impact of the Section 162(m) deduction limit. For that reason, the compensation and leadership committee may deem it appropriate to provide one or more executive officers with the opportunity to earn incentive compensation, whether through cash incentive awards tied to our financial performance or equity incentive awards tied to the executive officer’s continued service, which may be in excess of the amount deductible by reason of Section 162(m) or other provisions of the Code. While we obtained approval of our Executive Bonus Plan for purposes of Section 162(m) at the 2015 Annual Meeting, we reserve the right to structure awards (including the interplay of awards and employment agreements) in a manner that is not deductible in order to achieve our recruiting and retention objectives.

Taxation of Nonqualified Deferred Compensation

Section 409A of the Code requires that amounts that qualify as “nonqualified deferred compensation” satisfy requirements with respect to the timing of deferral elections, timing of payments, and certain other matters. Generally, the compensation and leadership committee intends to administer our executive compensation program and design individual compensation components, as well as the compensation plans and arrangements for our employees generally, so that they are either exempt from, or satisfy the requirements of, Section 409A. From time to time, we may be required to amend some of our compensation plans and arrangements to ensure that they are either exempt from, or compliant with, Section 409A.

Taxation of “Parachute” Payments

Sections 280G and 4999 of the Code provide that executive officers and directors who hold significant equity interests and certain other service providers may be subject to additional taxes if they receive payments or benefits in connection with a change in control of our company that exceeds certain prescribed limits, and that we (or a successor) may forfeit a deduction on the amounts subject to this additional tax. We did not provide any executive officer, including any NEO, with a “gross-up” or other reimbursement payment for any tax liability that

he or she might owe as a result of the application of Sections 280G or 4999 during 2016 and going forward we have not agreed and are not otherwise obligated to provide any executive officers, including any NEO, with such a “gross-up” or other reimbursement payment.

Accounting for Stock-Based Compensation

The compensation and leadership committee takes accounting considerations into account in designing compensation plans and arrangements for our executive officers and other employees. Chief among these is FASB ASC Topic 718, the standard which governs the accounting treatment of stock-based compensation awards.

FASB ASC Topic 718 requires us to recognize in our financial statements all share-based payment awards to employees, including grants of options to purchase shares of our common stock and restricted stock units that may be settled for shares of our common stock to our executive officers, based on their fair values.

FASB ASC Topic 718 also requires us to recognize the compensation cost of our share-based payment awards in our income statement over the period that an employee, including our executive officers, is required to render service in exchange for the award (which, generally, will correspond to the award’s vesting schedule).

Compensation-Related Risks

Our board of directors is responsible for the oversight of our risk profile, including compensation-related risks. The compensation and leadership committee monitors our compensation policies and practices as applied to our employees to ensure that these policies and practices do not encourage excessive and unnecessary risk-taking. In 2016, our compensation and leadership committee conducted a review of our compensation programs, including our executive compensation program, and, based on this review, determined that the level of risk associated with these programs is not reasonably likely to have a material adverse effect on us.

Summary Compensation Table

The following table provides information concerning compensation awarded to, earned by or paid to each of our NEOs for 2016, 2015 and 2014.

Name and Principal Position	Year	Salary (\$)	Stock Awards (\$) ⁽¹⁾	Option Awards (\$) ⁽²⁾	Non-Equity Incentive Plan Compensation (\$) ⁽³⁾	All Other Compensation (\$)	Total (\$)
Nicholas Woodman, Chief Executive Officer	2016	800,000	—	—	300,000	113,255 ⁽⁴⁾	1,213,255
	2015	805,128	—	—	—	89 ⁽⁵⁾	805,217
	2014	800,000	74,686,050	—	1,893,600	47,525 ⁽⁶⁾	77,427,175
Anthony Bates, ⁽⁷⁾ former President	2016	800,000	4,966,912 ⁽⁸⁾	4,320,049 ⁽⁹⁾	—	2,663,159 ⁽¹⁰⁾	12,750,120
	2015	805,128	795,302	913,868	—	10,689 ⁽¹¹⁾	2,524,987
	2014	462,222	4,576,982	21,821,844	715,520	10,400 ⁽¹²⁾	27,586,968
Brian McGee, ⁽¹³⁾ Chief Financial Officer	2016	345,769	428,400	417,352	143,291	3,508 ⁽¹⁴⁾	1,338,320
Sharon Zezima, ⁽¹⁵⁾ General Counsel	2016	334,616	309,829	301,872	114,797	45,205 ⁽¹⁶⁾	1,106,319
	2015	290,494	298,238	296,662	43,000	11,189 ⁽¹⁷⁾	939,583
	2014	275,000	—	—	166,980	10,400 ⁽¹⁸⁾	452,380
Jack Lazar, ⁽¹⁹⁾ former Chief Financial Officer	2016	76,923	—	—	—	872,152 ⁽²⁰⁾	949,075
	2015	398,013	795,302	913,868	—	11,189 ⁽²¹⁾	2,118,372
	2014	328,125	1,622,000	7,989,124	388,336	10,400 ⁽²²⁾	10,337,985

⁽¹⁾ The amounts reported in this column represent the aggregate grant date value of RSUs made to the NEO in 2016, 2015 and 2014 computed in accordance with the FASB ASC Topic 718 and excluding the effect of estimated forfeitures. The grant date fair value for RSUs is measured based on the closing fair market value of GoPro's common stock on the date of grant. Note that the amounts reported in this column reflect the accounting cost for these RSUs and do not correspond to the actual economic value that may be received by the NEO.

⁽²⁾ The amounts reported in this column represent the aggregate grant date value of option awards made to the NEO in 2016, 2015 and 2014 computed in accordance with FASB ASC Topic 718 and excluding the effect of estimated forfeitures. The assumptions used in calculating the grant date fair value of the stock options reported in the Option Awards column are set forth in Note 7 to the audited financial statements included in our Annual Report. Note that the amounts reported in this column reflect the accounting cost for these options and do not correspond to the actual economic value that may be received by the NEO.

⁽³⁾ The amounts reported in this column represent the NEO's annual cash bonus awards, which for 2016, 2015 and 2014, we awarded under the 2016 Executive Bonus Plan, the 2015 Executive Bonus Plan, and the 2014 Executive Bonus Plan, respectively, based on the compensation and leadership committee's determination of individual and overall company performance.

⁽⁴⁾ The amount reported represents \$138 as the value of corporate merchandise and a \$113,117 one-time payout of vacation time due to adoption of all employee discretionary time off program.

⁽⁵⁾ The amount reported represents \$89 as the value of corporate merchandise.

⁽⁶⁾ The amount reported includes reimbursement of Mr. Woodman's legal fees incurred in connection with entering into his June 2014 employment agreement and the value of corporate merchandise.

⁽⁷⁾ Mr. Bates began employment with us as our President in June 2014 and terminated employment in December 2016.

⁽⁸⁾ In addition to the grant date fair value of \$3,841,806 for the stock award granted in 2016, the reported amount includes the incremental fair value of \$1,125,106 for stock awards associated with the modification of Mr. Bates' outstanding stock awards on December 31, 2016, in connection with the termination of Mr. Bates' employment. Mr. Bates' outstanding stock awards were modified to allow him to continue to vest in an additional 25% of the shares initially subject to each previously granted stock award after such termination, if and so long as Mr. Bates continues to serve on our board of directors.

⁽⁹⁾ In addition to the grant date fair value of \$3,267,510 for the option award granted in 2016, the reported amount includes the incremental fair value of \$1,052,539 for option awards associated with the modification of Mr. Bates' outstanding option awards on December 31, 2016, in connection with the termination of Mr. Bates' employment. Mr. Bates' outstanding option awards were modified to allow him to continue to vest in an additional 25% of the shares initially subject to each previously granted option award after such termination, if and so long as Mr. Bates continues to serve on our board of directors.

⁽¹⁰⁾ The amount reported represents \$109 as the value of corporate merchandise, a \$92,309 one-time payout of vacation time due to adoption of all employee discretionary time off program, \$10,600 matching 401(k) account contributions, \$131,150 paid compensation in lieu of notice and \$2,428,991 in accrued severance and COBRA payments per Mr. Bates' separation agreement reported on December 14, 2016.

- ⁽¹¹⁾ The amount reported represents \$10,600 matching 401(k) account contributions and \$89 as the value of corporate merchandise.
- ⁽¹²⁾ The amount reported represents matching 401(k) account contributions.
- ⁽¹³⁾ Mr. McGee was appointed Chief Financial Officer in March 2016.
- ⁽¹⁴⁾ The amount reported represents \$138 as the value of corporate merchandise and a \$3,370 one-time payout of vacation time due to adoption of all employee discretionary time off program.
- ⁽¹⁵⁾ Ms. Zezima began employment with us as General Counsel in September 2013.
- ⁽¹⁶⁾ The amount reported represents \$138 as the value of corporate merchandise, a \$33,967 one-time payout of vacation time due to adoption of all employee discretionary time off program, \$10,600 matching 401(k) and \$500 in charitable contribution matching.
- ⁽¹⁷⁾ The amount reported includes \$10,600 in matching 401(k) account contributions, \$89 as the value of corporate merchandise and \$500 in charitable contribution matching.
- ⁽¹⁸⁾ The amount reported represents matching 401(k) account contributions.
- ⁽¹⁹⁾ Mr. Lazar began employment with us as our Chief Financial Officer in January 2014 and terminated employment in March 2016.
- ⁽²⁰⁾ The amount reported represents a \$43,012 one-time payout of vacation time due to adoption of all employee discretionary time off program, \$4,804 matching 401(k) account contributions and \$824,336 in severance and COBRA payments per Mr. Lazar's separation agreement reported on February 3, 2016.
- ⁽²¹⁾ The amount includes \$10,600 in matching 401(k) contributions, \$89 as the value of corporate merchandise and \$500 in charitable contribution matching.
- ⁽²²⁾ The amount reported represents matching 401(k) account contributions.

Grants of Plan-Based Awards

The following table provides information concerning each grant of an award made in 2016 for each of our NEOs under any plan. This information supplements the information about these awards set forth in the Summary Compensation Table. All options and stock awards represented in the table below were granted pursuant to our 2014 Plan, unless otherwise noted.

Name	Award Type	Approval Date	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares or Stock or Units	All Other Option Awards: Number of Securities Underlying Options	Exercise Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards (\$) ⁽³⁾
				Threshold (\$) ⁽¹⁾	Target (\$)	Maximum (\$) ⁽²⁾				
Nicholas Woodman	Cash	—	—	240,000	1,200,000	2,232,000	—	—	—	—
Anthony Bates	Cash	—	—	—	—	—	—	—	—	—
	RSU	5/4/2016	5/4/2016	—	—	—	374,446 ⁽⁴⁾	—	—	3,841,806
	RSU	5/4/2016	5/4/2016	—	—	—	93,611	—	—	815,352 ⁽⁵⁾
	RSU	—	6/3/2014	—	—	—	31,094	—	—	270,820 ⁽⁶⁾
	RSU	—	2/9/2015	—	—	—	4,470	—	—	38,934 ⁽⁷⁾
	Option	5/4/2016	6/6/2016	—	—	—	—	715,649 ⁽⁸⁾	10.92	3,267,510
	Option	5/4/2016	6/6/2016	—	—	—	—	178,912	10.92	541,276 ⁽⁹⁾
	Option	—	6/3/2014	—	—	—	—	284,638	18.40	506,790 ⁽¹⁰⁾
	Option	—	2/9/2015	—	—	—	—	9,252	44.48	4,473 ⁽¹¹⁾
Brian McGee	Cash	—	—	60,000	300,000	558,000	—	—	—	—
	RSU	—	2/3/2016	—	—	—	40,000 ⁽¹²⁾	—	—	428,400
	Option	—	2/3/2016	—	—	—	—	86,800 ⁽¹³⁾	10.71	417,352
Sharon Zezima	Cash	—	—	45,000	225,000	418,500	—	—	—	—
	RSU	—	2/11/2016	—	—	—	30,465 ⁽¹⁴⁾	—	—	309,829
	Option	—	2/11/2016	—	—	—	—	66,116 ⁽¹⁵⁾	10.17	301,872
Jack Lazar	Cash	—	—	—	—	—	—	—	—	—
	RSU	—	—	—	—	—	—	—	—	—
	Option	—	—	—	—	—	—	—	—	—

⁽¹⁾ As set forth under our 2016 Bonus Plan, the threshold amount represents corporate financial performance (i) 85% achievement of the revenue target, (ii) 90% achievement of the gross margin (non-GAAP) target, and (iii) 101% achievement of operating expense target equaling a payment of 20% of target bonus opportunity.

⁽²⁾ As set forth under our 2016 Bonus Plan, the maximum amount represents corporate financial performance (i) above 113% achievement of the revenue target, (ii) above 113% achievement of the gross margin (non-GAAP) target, and (iii) below 95% achievement of operating expense target equaling a maximum payment of 186% of target bonus opportunity.

⁽³⁾ The amounts reported in this column represent the aggregate grant date value of each award computed in accordance with FASB ASC Topic 718. The assumptions used in calculating the grant date fair value of the stock reported in the Option Awards column are set forth in Note 7 to the audited financial statements included in our Annual Report. Note that the amounts reported in this column reflect the accounting cost for these awards and do not correspond to the actual economic value that may be received by the NEO.

⁽⁴⁾ The RSUs shall vest over a forty-four (44) month period, such that 4.55% of the shares subject to this Award shall vest on August 15, 2016, and 6.82% of the shares subject to this Award shall vest on each three-month anniversary thereafter, subject to Mr. Bates' continuous status as an employee or service provider through each such date. Mr. Bates terminated employment on December 31, 2016 and remains a member of GoPro's board of directors. Pursuant to Mr. Bates' Separation Agreement vesting on 25% of the RSU's subject to the award (93,611 shares) was accelerated to December 31, 2016. 25% of the RSUs subject to the award (93,611 shares) shall continue to vest per the original vesting schedule of the award, serving as Mr. Bates' board compensation while his service continues, subject to acceleration upon a change in control as described in the section above "Arrangements with Mr. Bates." The remaining 144,660 unvested RSUs were cancelled upon Mr. Bates' employment termination.

⁽⁵⁾ The amount reported represents the incremental fair value of \$815,352 associated with the modification of the RSU on December 31, 2016 in connection with the termination of Mr. Bates' employment. Mr. Bates' stock award was modified to allow him to continue to vest in an additional 25% of the shares initially subject to this equity award after such termination, if and so long as Mr. Bates continues to serve on our board of directors, subject to acceleration upon a change in control as described in the section above "Arrangements with Mr. Bates."

- (6) The amount reported represents the incremental fair value of \$270,820 associated with the modification of the RSU on December 31, 2016 in connection with the termination of Mr. Bates' employment. Mr. Bates' stock award was modified to allow him to continue to vest in an additional 25% of the shares initially subject to this stock award after such termination, if and so long as Mr. Bates continues to serve on our board of directors, subject to acceleration upon a change in control as described in the section above "Arrangements with Mr. Bates." This stock award was granted pursuant to our 2010 Equity Incentive Plan.
- (7) The amount reported represents the incremental fair value of \$38,934 associated with the modification of the RSU on December 31, 2016 in connection with the termination of Mr. Bates' employment. Mr. Bates' stock award was modified to allow him to continue to vest in an additional 25% of the shares initially subject to this stock award after such termination, if and so long as Mr. Bates continues to serve on our board of directors, subject to acceleration upon a change in control as described in the section above "Arrangements with Mr. Bates."
- (8) The options shall vest over a forty-four (44) month period, such that 1/44th of the shares subject to this stock option shall vest on July 06, 2016, and 1/44th of the shares subject to this stock option shall vest on each monthly anniversary thereafter, subject to Mr. Bates' continuous status as an employee or service provider through each such date. Mr. Bates terminated employment on December 31, 2016 and remains a member of GoPro's board of directors. Pursuant to Mr. Bates' Separation Agreement vesting on 25% of the options subject to the award (178,912 options) was accelerated to December 31, 2016. 25% of the options subject to the award (178,912 options) shall continue to vest per the original vesting schedule of the award, serving as Mr. Bates' board compensation while his service continues, subject to acceleration upon a change in control as described in the section above "Arrangements with Mr. Bates." The remaining 260,236 unvested options were cancelled upon Mr. Bates employment termination.
- (9) The amount reported represents the incremental fair value of \$541,276 associated with the modification of the option on December 31, 2016 in connection with the termination of Mr. Bates' employment. Mr. Bates' option award was modified to allow him to continue to vest in an additional 25% of the shares initially subject to this option award after such termination, if and so long as Mr. Bates continues to serve on our board of directors, subject to acceleration upon a change in control as described in the section above "Arrangements with Mr. Bates."
- (10) The amount reported represents the incremental fair value of \$506,790 associated with the modification of the option on December 31, 2016 in connection with the termination of Mr. Bates' employment. Mr. Bates' option award was modified to allow him to continue to vest in an additional 25% of the shares initially subject to this option award after such termination, if and so long as Mr. Bates continues to serve on our board of directors, subject to acceleration upon a change in control as described in the section above "Arrangements with Mr. Bates." This option award was granted pursuant to our 2010 Equity Incentive Plan.
- (11) The amount reported represents the incremental fair value of \$4,473 associated with the modification of the option on December 31, 2016 in connection with the termination of Mr. Bates' employment. Mr. Bates' option award was modified to allow him to continue to vest in an additional 25% of the shares initially subject to this option award after such termination, if and so long as Mr. Bates continues to serve on our board of directors, subject to acceleration upon a change in control as described in the section above "Arrangements with Mr. Bates."
- (12) The RSUs shall vest over a four (4) year period, such that 25% of the RSUs shall vest in four equal annual installments commencing on the one-year anniversary of the Vesting Commencement Date of February 15, 2016, subject to Mr. McGee's continuous status as an employee or service provider through each such date. Such RSUs shall accelerate and become vested subject to the terms of the Change in Control Severance Agreement entered into between Mr. McGee and GoPro.
- (13) The options shall vest over a four (4) year period, such that 25% of the shares subject to this stock option shall vest exactly twelve months after the Vesting Commencement Date of February 03, 2016, and that 1/48th of the shares subject to this Option shall vest each month thereafter on the same day of the month as the Vesting Commencement Date, subject to Mr. McGee's continuous status as an employee or service provider through each such date. Such Options shall accelerate and become vested and exercisable subject to the terms of the Change in Control Severance Agreement entered into between Mr. McGee and GoPro.
- (14) The RSUs shall vest over a four (4) year period, such that 25% of the RSUs shall vest in four equal annual installments commencing on the one-year anniversary of the Vesting Commencement Date of February 15, 2016, subject to Ms. Zezima's continuous status as an employee or service provider through each such date. Such RSUs shall accelerate and become vested subject to the terms of the Change in Control Severance Agreement entered into between Ms. Zezima and GoPro.
- (15) The options shall vest over a four (4) year period, such that 25% of the shares subject to this stock option shall vest exactly twelve months after the Vesting Commencement Date of February 11, 2016, and that 1/48th of the shares subject to this Option shall vest each month thereafter on the same day of the month as the Vesting Commencement Date, subject to Ms. Zezima's continuous status as an employee or service provider through each such date. Such Options shall accelerate and become vested and exercisable subject to the terms of the Change in Control Severance Agreement entered into between Ms. Zezima and GoPro.

Outstanding Equity Awards at December 31, 2016

The following table provides information concerning unexercised options, stock that has not vested and equity incentive plan awards for each NEO as of December 31, 2016.

Name	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Options Unexercisable	Option Exercise Price (\$) ⁽¹⁾	Option Expiration Date	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)
Nicholas Woodman	—	—	—	—	500,000 ⁽²⁾	4,355,000
Anthony Bates	1,992,468 ⁽³⁾	284,638 ⁽³⁾	18.40	6/2/2024	31,094 ⁽⁴⁾	270,829
	9,253 ⁽⁵⁾	9,252 ⁽⁵⁾	44.48	2/8/2025	4,470 ⁽⁶⁾	38,934
	276,501 ⁽⁷⁾	178,912 ⁽⁷⁾	10.92	6/5/2026	93,611 ⁽⁸⁾	815,352
Brian McGee	9,375 ⁽⁹⁾	20,625 ⁽⁹⁾	28.54	10/14/2025	11,250 ⁽¹⁰⁾	97,988
	—	86,800 ⁽¹¹⁾	10.71	2/2/2026	40,000 ⁽¹²⁾	348,400
Sharon Zezima	43,718 ⁽¹³⁾	10,938 ⁽¹³⁾	15.59	9/15/2023	5,029 ⁽¹⁴⁾	43,803
	6,360 ⁽¹⁵⁾	7,519 ⁽¹⁵⁾	44.48	2/8/2025	30,465 ⁽¹⁶⁾	265,350
	—	66,116 ⁽¹⁷⁾	10.17	2/10/2026	—	—
Jack Lazar	275,835 ⁽¹⁸⁾	375,000 ⁽¹⁸⁾	16.22	1/28/2024	50,000 ⁽¹⁹⁾	435,500
	—	37,011 ⁽²⁰⁾	44.48	2/8/2025	17,880 ⁽²¹⁾	155,735

⁽¹⁾ Represents the fair market value of a share of our common stock. For options granted pre-IPO, market value was determined by our board of directors on the grant date. For options granted after our IPO, market value is the closing price of our stock on date of grant.

⁽²⁾ The RSUs shall vest in three portions: (i) 1,500,000 (the “First Tranche”), (ii) 1,500,000 (the “Second Tranche”), and (iii) 1,500,000 (the “Third Tranche”), each as may be adjusted pursuant to Sections 2.2 and 11 of the 2014 Plan, as follows:

The First Tranche vested at grant; as the First Milestone Price and Second Milestone Price were satisfied on January 21, 2015 while Mr. Woodman was in Continuous Service, the Second Tranche vests in equal monthly installments over three years from the Grant Date as follows: (A) on the First Milestone Price Date, as to 1/36th of the Second Tranche for each full month of Mr. Woodman’s Continuous Service from the Date of Grant through this First Milestone Price Date, and (B) any portion of the Second Tranche not vested on the First Milestone Price Date will vest after the First Milestone Price Date such that 1/36th of the Second Tranche will be vested at the end of each monthly anniversary of the Date of Grant following the First Milestone Price Date, and only for so long as Mr. Woodman remains in Continuous Service; the Third Tranche will vest in equal monthly installments over three years from the Date of Grant as follows: (A) on the Second Milestone Price Date, as to 1/36th of the Third Tranche for each full month of Mr. Woodman’s Continuous Service from the Date of Grant through this Second Milestone Price Date, and (B) any portion of the Third Tranche not vested on the Second Milestone Price Date will vest after the Second Milestone Price Date such that 1/36th of the Third Tranche will be vested at the end of each monthly anniversary of the Date of Grant following the Second Milestone Price Date, and only for so long as Mr. Woodman remains in Continuous Service.

⁽³⁾ The options shall vest over a four (4) year period, such that 1/48th of the shares subject to this stock option shall vest on each monthly anniversary of the Vesting Commencement Date of June 2, 2014, subject to Mr. Bates’ continuous status as an employee or service provider through each such date. Pursuant to Mr. Bates’ Separation Agreement, vesting of 25% of the shares initially subject to this option award was accelerated on December 31, 2016. If and so long as Mr. Bates continues to serve on our board of directors, an additional 25% of the shares initially subject to this option award will continue to vest, with the number of shares vesting on each vesting date pursuant to the original vesting schedule.

⁽⁴⁾ The RSUs shall vest as follows: 6.25% of the total number of RSUs will vest on the 3-month anniversary of the Vesting Commencement Date of June 02, 2014, and 6.25% of the total number of RSUs will vest on each three-month anniversary thereafter, subject to Mr. Bates’ continuous status as an employee or service provider through each such date. Pursuant to Mr. Bates’ Separation Agreement, vesting of 25% of the shares initially subject to this RSU award was accelerated on December 31, 2016. If and so long as Mr. Bates continues to serve on our board of directors, an additional 25% of the shares initially subject to this RSU award will continue to vest, with the number of shares vesting on each vesting date pursuant to the original vesting schedule.

- (5) The options shall vest over a two (2) year period as follows: 1/24th of the shares shall vest on March 9, 2018, and 1/24th of the shares shall vest monthly thereafter, subject to Mr. Bates' continuous status as an employee or service provider through each such date. Mr. Bates terminated employment on December 31, 2016 and remains a member of GoPro's board of directors. Pursuant to Mr. Bates' Separation Agreement, vesting of 25% of the shares initially subject to this option award was accelerated on December 31, 2016. If and so long as Mr. Bates continues to serve on our board of directors, an additional 25% of the shares initially subject to this option award will continue to vest, with the number of shares vesting on each vesting date pursuant to the original vesting schedule. The remaining unvested shares were cancelled upon the termination of Mr. Bates employment.
- (6) The RSUs shall vest over a two (2) year period as follows: 1/24th shall vest on March 15, 2018, and 1/24th shall vest monthly thereafter, subject to Mr. Bates' continuous status as an employee or service provider through each such date. Pursuant to Mr. Bates' Separation Agreement, vesting of 25% of the shares initially subject to this RSU award was accelerated on December 31, 2016. If and so long as Mr. Bates continues to serve on our board of directors, an additional 25% of the shares initially subject to this RSU award will continue to vest, with the number of shares vesting on each vesting date pursuant to the original vesting schedule. The remaining unvested shares were cancelled upon the termination of Mr. Bates employment.
- (7) The options shall vest over a forty-four (44) month period, such that 1/44th of the shares subject to this stock option shall vest on July 06, 2016, and 1/44th of the shares subject to this stock option shall vest on each monthly anniversary thereafter, subject to Mr. Bates' continuous status as an employee or service provider through each such date. Pursuant to Mr. Bates' Separation Agreement, vesting of 25% of the shares initially subject to this option award was accelerated on December 31, 2016. If and so long as Mr. Bates continues to serve on our board of directors, an additional 25% of the shares initially subject to this option award will continue to vest, with the number of shares vesting on each vesting date pursuant to the original vesting schedule. The remaining unvested shares were cancelled upon the termination of Mr. Bates employment.
- (8) The RSUs shall vest over a forty-four (44) month period, such that 4.55% of the shares subject to this Award shall vest on August 15, 2016, and 6.82% of the shares subject to this Award shall vest on each three-month anniversary thereafter, subject to Mr. Bates' continuous status as an employee or service provider through each such date. Pursuant to Mr. Bates' Separation Agreement, vesting of 25% of the shares initially subject to this RSU award was accelerated on December 31, 2016. If and so long as Mr. Bates continues to serve on our board of directors, an additional 25% of the shares initially subject to this RSU award will continue to vest, with the number of shares vesting on each vesting date pursuant to the original vesting schedule. The remaining unvested shares were cancelled upon the termination of Mr. Bates employment.
- (9) The options shall vest over a four (4) year period, such that 25% of the shares subject to this stock option shall vest exactly twelve months after the Vesting Commencement Date of September 28, 2015, and that 1/48th of the shares subject to this Option shall vest each month thereafter on the same day of the month as the Vesting Commencement Date, subject to Mr. McGee's continuous status as an employee or service provider through each such date. The Options shall accelerate and become vested and exercisable subject to the terms of the Change in Control Severance Agreement entered into between Mr. McGee and GoPro.
- (10) The RSUs shall vest over a four (4) year period, in four equal annual installments commencing on the one-year anniversary of the Vesting Commencement Date of October 15, 2015, subject to Mr. McGee's continuous status as an employee or service provider through each such date. The RSUs shall accelerate and become vested subject to the terms of the Change in Control Severance Agreement entered into between Mr. McGee and GoPro.
- (11) The options shall vest over a four (4) year period, such that 25% of the shares subject to this stock option shall vest exactly twelve months after the Vesting Commencement Date of February 03, 2016, and that 1/48th of the shares subject to this Option shall vest each month thereafter on the same day of the month as the Vesting Commencement Date, subject to Mr. McGee's continuous status as an employee or service provider through each such date. The Options shall accelerate and become vested and exercisable subject to the terms of the Change in Control Severance Agreement entered into between Mr. McGee and GoPro.
- (12) The RSUs shall vest over a four (4) year period, in four equal annual installments commencing on the one-year anniversary of the Vesting Commencement Date of February 15, 2016, subject to Mr. McGee's continuous status as an employee or service provider through each such date. The RSUs shall accelerate and become vested subject to the terms of the Change in Control Severance Agreement entered into between Mr. McGee and GoPro.
- (13) The options shall vest over a four (4) year period, such that 25% of the shares subject to the option shall vest exactly twelve months after July 29, 2013, the vesting commencement date, and that 1/48th of the shares subject to the option shall vest each month thereafter on the same day of the month as the Vesting Commencement Date, subject to Ms. Zezima's continuous status as an employee or service provider through each such date. The option shall accelerate and become vested and exercisable subject to the terms of the Change in Control Severance Agreement entered into between Ms. Zezima and GoPro.
- (14) The RSUs shall vest over a four (4) year period, in four equal annual installments commencing on the one year anniversary of February 15, 2015, the vesting commencement date, subject to Ms. Zezima's continuous status as an employee or service provider through each such date. The RSUs shall accelerate and become vested subject to the terms of the Change in Control Severance Agreement entered into between Ms. Zezima and GoPro.
- (15) The options shall vest over a four (4) year period, such that 25% of the shares subject to the option shall vest exactly twelve months after February 9, 2015, the vesting commencement date, and that 1/48th of the shares subject to the option shall vest each month thereafter on the same day of the month as the Vesting Commencement Date, subject to Ms. Zezima's continuous status as an employee or service provider through each such date. The option shall accelerate and become vested and exercisable subject to the terms of the Change in Control Severance Agreement entered into between Ms. Zezima and GoPro.
- (16) The RSUs shall vest over a four (4) year period, in four equal annual installments commencing on the one-year anniversary of the Vesting Commencement Date of February 15, 2016, subject to Ms. Zezima's continuous status as an employee or service provider through each such date. The RSUs shall accelerate and become vested subject to the terms of the Change in Control Severance Agreement entered into between Ms. Zezima and GoPro.

- (17) The options shall vest over a four (4) year period, such that 25% of the shares subject to this stock option shall vest exactly twelve months after the Vesting Commencement Date of February 11, 2016, and that 1/48th of the shares subject to the Option shall vest each month thereafter on the same day of the month as the Vesting Commencement Date, subject to Ms. Zezima's continuous status as an employee or service provider through each such date. The Options shall accelerate and become vested and exercisable subject to the terms of the Change in Control Severance Agreement entered into between Ms. Zezima and GoPro.
- (18) The options shall vest over a five (5) year period, such that 20% of the shares subject to the option shall vest exactly twelve months after January 24, 2014, the Vesting Commencement Date, and that 1/60th of the shares subject to the vested each month thereafter on the same day of the month as the vesting commencement date, subject to Mr. Lazar's continuous status as an employee or service provider through each such date. In November 2014 we accelerated 180,000 of the shares underlying the option in connection with Mr. Lazar's participation in our follow-on offering. Effective March 11, 2016, Mr. Lazar terminated his employment and ceased to serve as our Chief Financial Officer. Pursuant to his Change in Control and Other Severance Agreement, Mr. Lazar continued to vest in his option awards until March 10, 2017, pursuant to his continued service as a consultant.
- (19) The RSUs shall vest over a four (4) year period, in four equal annual installments commencing on the one year anniversary of January 24, 2014, the Vesting Commencement Date, subject to Mr. Lazar's continuous status as an employee or service provider through each such date. Effective March 11, 2016, Mr. Lazar terminated his employment and ceased to serve as our Chief Financial Officer. Pursuant to his Change in Control and Other Severance Agreement, Mr. Lazar continued to vest in his stock awards until March 10, 2017, pursuant to his continued service as a consultant.
- (20) The options shall vest over a two (2) year period as follows: 1/24th of the shares shall vest on March 9, 2018, and 1/24th of the shares shall vest monthly thereafter, subject to Mr. Lazar's continuous status as an employee or service provider through each such date. Effective March 11, 2016, Mr. Lazar terminated his employment and ceased to serve as our Chief Financial Officer. Pursuant to his Change in Control and Other Severance Agreement, Mr. Lazar continued to vest in his option awards until March 10, 2017, pursuant to his continued service as a consultant.
- (21) The RSUs shall vest over a two (2) year period as follows: 1/24th shall vest on March 15, 2018, and 1/24th shall vest monthly thereafter, subject to Mr. Lazar's continuous status as an employee or service provider through each such date. Effective March 11, 2016, Mr. Lazar terminated his employment and ceased to serve as our Chief Financial Officer. Pursuant to his Change in Control and Other Severance Agreement, Mr. Lazar continued to vest in his stock awards until March 10, 2017, pursuant to his continued service as a consultant.

Option Exercises and Stock Vested

The following table provides information concerning each exercise of options and each vesting of RSUs in 2016 for each NEO as of December 31, 2016. Value realized on option exercise is calculated by subtracting the aggregate exercise price of the options exercised from the aggregate market value of the shares of common stock acquired on the date of exercise. Value realized on vesting of RSUs is based on the fair market value of our common stock on the vesting date multiplied by the number of shares vested and does not necessarily reflect proceeds received by the NEO.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting	Value Realized on Vesting (\$)
Nicholas Woodman	—	—	1,000,000	12,853,320
Anthony Bates	—	—	265,020	2,669,907 ⁽¹⁾
Brian McGee	—	—	3,750	52,763
Sharon Zezima	—	—	1,676	19,425
Jack Lazar	50,000	64,000	25,000	264,750

- (1) The amount reflects the acceleration of unvested RSUs on December 31, 2016 pursuant to Mr. Bates' Separation Agreement, which were settled to Mr. Bates on January 3, 2017.

Estimated Payments and Benefits as of December 31, 2016

The following table sets forth the estimated payments and benefits that would be received by each of the NEOs (other than Mr. Lazar) upon a change in control of GoPro, upon a termination of employment without cause or following a resignation for good reason, or in the event of a termination of employment without cause or following a resignation for good reason in connection with a change in control in GoPro. This table reflects amounts payable to each NEO assuming that his or her employment was terminated on December 31, 2016, and the change in control of GoPro also occurred on that date. The closing market price per share of our common stock on December 30, 2016, was \$8.71.

Named Executive Officer	Change In Control		Termination of Employment No Change of Control				Termination of Employment Change of Control			
	Accelerated Vesting of Equity Awards (\$) ⁽¹⁾	Total (\$)	Severance Payment (\$)	Medical Benefits Continuation (\$)	Accelerated Vesting of Equity Awards (\$) ⁽¹⁾	Total (\$)	Severance Payment (\$)	Medical Benefits Continuation (\$)	Accelerated Vesting of Equity Awards (\$) ⁽¹⁾	Total (\$)
Nicholas Woodman	4,355,000 ⁽²⁾	4,355,000 ⁽²⁾	3,200,000	36,000	—	3,236,000	5,200,000	54,000	4,355,000 ⁽²⁾	12,791,000
Anthony Bates	—	—	2,531,150 ⁽³⁾	28,991 ⁽⁴⁾	1,405,550 ⁽⁵⁾	3,965,691	—	—	—	—
Brian McGee	—	—	—	—	—	—	612,500	36,000	446,388	1,094,888
Sharon Zezima	—	—	—	—	—	—	544,000	36,000	309,153	889,153

⁽¹⁾ The value of the accelerated vesting of outstanding and unvested equity awards has been calculated based on the closing market price of our common stock on the NASDAQ Stock Market on December 30, 2016, which was \$8.71 per share, less, if applicable, the exercise price of each outstanding and unvested stock option.

⁽²⁾ This amount assumes the achievement of certain performance requirements upon the change in control of GoPro.

⁽³⁾ Mr. Bates terminated employment on December 31, 2016, ending his prior employment agreement and entering into his separation agreement. The amounts represents \$131,150 payment in lieu of notice under California's WARN act and \$2,400,000 in accrued severance.

⁽⁴⁾ The amount reported represents cost for COBRA should Mr. Bates elect to receive the termination benefit.

⁽⁵⁾ The amount reported represents RSUs accelerated to vest on December 31, 2016, which were settled in Class A Common Stock on January 3, 2017.

REPORT OF THE COMPENSATION AND LEADERSHIP COMMITTEE

This report of the compensation and leadership committee is required by the SEC and, in accordance with the SEC's rules, will not be deemed to be part of or incorporated by reference by any general statement incorporating by reference this Proxy Statement into any filing under the Securities Act or under the Exchange Act, except to the extent that we specifically incorporate this information by reference, and will not otherwise be deemed "soliciting material" or "filed" under either the Securities Act or the Exchange Act.

Our compensation and leadership committee has reviewed and discussed the "Compensation Discussion and Analysis" required by Item 402(b) of Regulation S-K with management and based on such review and discussions, the compensation and leadership committee recommended to our board of directors that the "Compensation Discussion and Analysis" be included in this Proxy Statement and incorporated by reference into our Annual Report on Form 10-K for the year ended December 31, 2016.

Submitted by the Compensation and Leadership Committee

Peter Gotcher, Chair
Edward Gilhuly
Lauren Zalaznick

EQUITY COMPENSATION PLAN INFORMATION

The following table presents information as of December 31, 2016, with respect to compensation plans under which shares of our Class A common stock or Class B common stock may be issued.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights ⁽¹⁾	Weighted-average exercise price of outstanding options, warrants and rights (\$) ⁽²⁾	Number of securities remaining available for future issuance under equity compensation plans (excluding securities) reflected in column (a)
	(a)	(b)	(c)
Equity compensation plans approved by security holders	19,392,931 ⁽³⁾	12.173479	15,293,211 ⁽⁴⁾
Equity compensation plans not approved by security holders	— ⁽⁵⁾	—	—
Total	19,392,931	12.173479	15,293,211

⁽¹⁾ Includes our 2010 Equity Incentive Plan (“2010 Plan”), grants acquired under the Sparrow Acquisition Plan (“SAP Plan”), and our 2014 Plan. Excludes purchase rights accruing under our 2014 Employee Stock Purchase Plan.

⁽²⁾ The weighted-average exercise price does not reflect the shares that will be issued in connection with the settlement of RSUs, since RSUs have no exercise price.

⁽³⁾ Excludes 160,268 RSUs accelerated to vest on 12/31/2016. The RSUs were released on 1/3/2017.

⁽⁴⁾ There are no shares of common stock available for issuance under our 2010 Plan or under the SAP Plan, but those plans will continue to govern the terms of options granted thereunder. Any shares of Class B common stock that are subject to outstanding awards under the 2010 Plan that are issuable upon the exercise of stock options that expire or become unexercisable for any reason without having been exercised in full will generally be available for future grant and issuance as shares of Class A common stock under our 2014 Plan. In addition, the number of shares reserved for issuance under our 2014 Plan increased automatically by 4,851,264 on January 1, 2017 and will increase automatically on the first day of January of each of 2018 through 2024 by the number of shares equal to 3% of the total outstanding shares of our common stock (which includes outstanding shares of our Class A common stock, outstanding shares of our Class B common stock, outstanding stock options and outstanding RSUs) as of the immediately preceding December 31 or a lower number approved by our board of directors. There are 5,391,470 shares of Class A common stock available for issuance under the 2014 Employee Stock Purchase Plan. The number of shares reserved for issuance under our 2014 Employee Stock Purchase Plan increased automatically by 1,617,088 on January 1, 2017 and will increase automatically on the first day of January of each year during the term of the 2014 Employee Stock Purchase Plan by the number of shares equal to 1% of the total outstanding shares of our common stock (which includes outstanding shares of our Class A common stock, outstanding shares of our Class B common stock, outstanding stock options and outstanding RSUs) as of the immediately preceding December 31 or a lower number approved by our board of directors.

⁽⁵⁾ Excludes outstanding RSUs to acquire 796,367 shares that were assumed as part of an acquisition. In connection with the acquisition, GoPro has only assumed the outstanding RSUs, but not the plan itself, and therefore, no further awards may be granted under the acquired-company plan.

RELATED PARTY TRANSACTIONS

In addition to the executive officer and director compensation arrangements discussed above under “Executive Compensation” and “Proposal No. 1 — Election of Directors — Director Compensation,” respectively, since January 1, 2016, we were a party to the following transactions in which:

- we have been or are to be a participant;
- the amount involved exceeds \$120,000; and
- any of our directors, executive officers or holders of more than 5% of our capital stock, or any immediate family member of or person sharing the household with any of these individuals, had or will have a direct or indirect material interest.

Offer Letters and Change In Control Agreements

We have entered into offer letters and change in control severance agreements with our executive officers that, among other things, provide for severance and change in control benefits. See “Executive compensation — Employment, Severance and Change in Control Agreements” for information about these agreements.

Indemnification of Directors

We have entered into indemnification agreements with each of our directors and executive officers. These indemnification agreements and our restated certificate of incorporation and amended and restated bylaws provide for indemnification of each of our directors and executive officers to the fullest extent permitted by Delaware law.

Other Transactions

The Company incurs costs for Company-related chartered aircraft fees for the use of Mr. Woodman’s private plane. The Company recorded expense of \$0.5 million, \$0.7 million and \$0.6 million in 2016, 2015 and 2014, respectively. As of December 31, 2016 and 2015, the Company had accounts payable associated with these aircraft fees of zero and \$0.1 million, respectively.

In 2013, the Company entered into a three-year Naming Rights Agreement, which was amended in July 2016 to continue through the end of 2016, with Mooresville Motorplex, LLC, which Agreement was previously assigned to Mooresville’s parent The Drylake Group in 2015. The principal of each of Mooresville Motorplex LLC and The Drylake Group is Justin Marks, son of our board member Michael Marks. As consideration for the naming rights, the Company paid \$0.5 million over the three year period. As of December 31, 2016, the Company has recorded cumulative expense of \$0.1 million, and has also provided 100 GoPro cameras at no cost each year. As of December 31, 2016 and 2015, the Company had no accounts payable associated with this Agreement.

In 2016, the Company obtained services from SurveyMonkey, Inc. whose CEO, Alexander Lurie, is a member of the Company’s board of directors. The Company recorded expense of \$0.4 million in 2016. As of December 31, 2016, the Company had accounts payable associated with SurveyMonkey, Inc. of \$0.0 million.

Adam Dornbusch, who was employed by the Company from June 17, 2013 to December 2, 2016, married the daughter of our board member Michael Marks in July 2015. In 2016, Mr. Dornbusch received total compensation of \$549,311, including base salary, bonus, and other compensation, and severance payments related to his separation from the Company. Mr. Marks did not have any financial interest in the compensation of Mr. Dornbusch as a GoPro employee.

Review, Approval or Ratification of Transactions with Related Parties

Our Corporate Governance Guidelines and our Related Party Transactions policy requires that any transaction with a related party that must be reported under applicable rules of the SEC (other than compensation-related matters), must be reviewed and approved or ratified by our audit committee (other than transactions that are subject to review by our board of directors as a whole or any other committee of our board of directors). In approving or rejecting any such proposal, our audit committee will consider the relevant and available facts and circumstances, including, but not limited to, the extent of the related person's interest in the transactions, the material facts of the proposed transaction, including the proposed aggregate value of such transaction and whether the proposed transaction is on terms no less favorable than terms generally available to an unaffiliated third-party under the same or similar circumstances.

REPORT OF THE AUDIT COMMITTEE

The information contained in the following report of our audit committee is not considered to be “soliciting material,” “filed” or incorporated by reference in any past or future filing by us under the Securities Exchange Act of 1934 or the Securities Act of 1933 unless and only to the extent that we specifically incorporate it by reference.

The audit committee of our board of directors is composed of three independent outside directors. The audit committee has reviewed and discussed with our management and PricewaterhouseCoopers LLP our audited financial statements for the year ended December 31, 2016. The audit committee has also discussed with PricewaterhouseCoopers LLP the matters required to be discussed pursuant to AS No. 1301 “Communications with Audit Committees” as adopted by the Public Company Accounting Oversight Board.

The audit committee has received and reviewed the written disclosures and the letter from PricewaterhouseCoopers LLP required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant’s communications with the audit committee concerning independence, and has discussed with PricewaterhouseCoopers LLP its independence from GoPro.

Based on the review and discussions referred to above, the audit committee recommended to the board of directors that the audited financial statements be included in our Annual Report on Form 10-K for the year ended December 31, 2016, for filing with the Securities and Exchange Commission.

Submitted by the Audit Committee

Kenneth Goldman, Chair
Edward Gilhuly
Peter Gotcher

ADDITIONAL INFORMATION

Stockholder Proposals to be Presented at Next Annual Meeting

Our bylaws provide that, for stockholder nominations to the board or other proposals to be considered at an annual meeting, the stockholder must give timely notice thereof in writing to the Secretary at GoPro, Inc., 3000 Clearview Way, San Mateo, California 94402, Attn: Secretary.

To be timely for the 2018 Annual Stockholder's Meeting, a stockholder's notice must be delivered to or mailed and received by our Secretary at our principal executive offices not earlier than 5:00 p.m. (Pacific Time) on February 21, 2018 and not later than 5:00 p.m. (Pacific Time) on March 23, 2018. A stockholder's notice to the Secretary must set forth each matter the stockholder proposes to bring before the annual meeting and the information required by our bylaws.

Stockholder proposals submitted pursuant to Rule 14a-8 under the Exchange Act and intended to be presented at our 2018 Annual Meeting must be received by the Secretary no later than December 27, 2017 in order to be considered for inclusion in our proxy materials for that annual meeting.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our directors, executive officers and any persons who own more than 10% of our common stock, to file initial reports of ownership and reports of changes in ownership with the SEC. Such persons are required by SEC regulation to furnish us with copies of all Section 16(a) forms that they file. Based solely on its review of the copies of such forms furnished to us and written representations from the directors and executive officers, we believe that all Section 16(a) filing requirements were timely met in 2016.

Available Information

GoPro will mail without charge, upon written request, a copy of GoPro's Annual Report, including the financial statements and list of exhibits, and any exhibit specifically requested. Requests should be sent to:

GoPro, Inc.
3000 Clearview Way
San Mateo, California 94402
Attn: Investor Relations

“Householding” — Stockholders Sharing the Same Last Name and Address

The SEC has adopted rules that permit companies and intermediaries (such as brokers) to implement a delivery procedure called “householding.” Under this procedure, multiple stockholders who reside at the same address may receive a single copy of our Annual Report and proxy materials, including the Notice of Internet Availability, unless the affected stockholder has provided contrary instructions. This procedure reduces printing costs and postage fees, and helps protect the environment as well.

This year, a number of brokers with account holders who are GoPro stockholders will be “householding” our Annual Report and proxy materials, including the Notice of Internet Availability. A single Notice of Internet Availability and, if applicable, a single set of Annual Report and other proxy materials will be delivered to multiple stockholders sharing an address unless contrary instructions have been received from the affected stockholders. Once you have received notice from your broker that it will be “householding” communications to your address, “householding” will continue until you are notified otherwise or until you revoke your consent. Stockholders may revoke their consent at any time by contacting American Stock Transfer & Trust Company, LLC by calling (800) 937-5449 or writing to 6201 15th Avenue, Brooklyn, New York 11219.

Upon written or oral request, GoPro will promptly deliver a separate copy of the Notice of Internet Availability and, if applicable, Annual Report and other proxy materials to any stockholder at a shared address to which a single copy of any of those documents was delivered. To receive a separate copy of the Notice of Internet Availability and, if applicable, Annual Report and other proxy materials, you may write GoPro's Investor Relations department at 3000 Clearview Way, San Mateo, California 94402, Attn: Investor Relations or call (855) GOPROHD or (855) 467-7643.

Any stockholders who share the same address and currently receive multiple copies of GoPro's Notice of Internet Availability or Annual Report and other proxy materials who wish to receive only one copy in the future can contact their bank, broker or other holder of record to request information about householding or GoPro's Investor Relations department at the address or telephone number listed above.

OTHER MATTERS

The board of directors does not presently intend to bring any other business before the Annual Meeting and, so far as is known to the board of directors, no matters are to be brought before the Annual Meeting except as specified in the Notice of Annual Meeting of Stockholders. As to any business that may arise and properly come before the Annual Meeting, however, it is intended that proxies, in the form enclosed, will be voted in respect thereof in accordance with the judgment of the persons voting such proxies.

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APPENDIX A

Reconciliation of GAAP to Non-GAAP Corporate Performance Measures

(dollars in thousands)	2016
GAAP gross margin	39.0%
Stock-based compensation	0.1
Acquisition-related costs	0.2
Restructuring costs	—
Non-GAAP gross margin	39.3%
(dollars in thousands)	2016
GAAP operating expenses	\$ 834,889
Stock-based compensation	(67,911)
Acquisition-related costs	(15,587)
Bonus expenses and related taxes	(20,756)
Restructuring costs	(42,592)
Non-GAAP bonus plan operating expenses	\$ 688,043

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2016

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission file number: 001-36514



GOPRO, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

77-0629474

(I.R.S. Employer Identification No.)

**3000 Clearview Way
San Mateo, California**

(Address of principal executive offices)

94402

(Zip Code)

(650) 332-7600

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Class A Common Stock, par value \$0.0001
(Title of each class)

The NASDAQ Stock Market LLC
(Name of each exchange on which registered)

Securities registered pursuant to section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of Act. Yes No

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the voting stock held by non-affiliates of the registrant as of June 30, 2016, the last business day of the registrant's most recently completed second fiscal quarter, was approximately \$1,097,400,000 based upon the closing price reported for such date on the NASDAQ Global Select Market.

As of January 31, 2017, 105,351,578 and 36,760,415 shares of Class A and Class B common stock were outstanding, respectively.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement for its 2017 Annual Meeting of Stockholders (the "Proxy Statement"), to be filed within 120 days of the registrant's fiscal year ended December 31, 2016, are incorporated by reference in Part II and Part III of this Annual Report on Form 10-K. Except with respect to information specifically incorporated by reference in this Annual Report on Form 10-K, the Proxy Statement is not deemed to be filed as part of this Annual Report on Form 10-K.

GoPro, Inc.

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PART I.

Special note regarding forward-looking statements

This Annual Report on Form 10-K of GoPro, Inc. (“GoPro” or “we” or “the Company”) includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact, including statements regarding guidance, industry prospects, product and marketing plans, or future results of operations or financial position, made in this Annual Report on Form 10-K are forward-looking. To identify forward-looking statements, we use such words as “expect,” “anticipate,” “believe,” “may,” “will,” “estimate,” “continue,” “intend,” “target,” “goal,” “plan,” or variations of such words and similar expressions. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of their date. If any of management’s assumptions prove incorrect or should unanticipated circumstances arise, the Company’s actual results could materially differ from those anticipated by such forward-looking statements. The differences could be caused by a number of factors or combination of factors including, but not limited to, those factors identified under Item 1A. Risk Factors. Forward-looking statements include plans to include new product offerings in “Item 1. Business” and other sections of this Annual Report on Form 10-K, projections of results of operations, and any discussion of the trends and other factors that drive our business and future results in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations,” including the discussion appearing there under “Looking Ahead to 2017,” and other sections of this Annual Report on Form 10-K including but not limited to Item 1A Risk Factors. Readers are strongly encouraged to consider the foregoing including those factors when evaluating any forward-looking statements concerning the Company. The Company does not undertake any obligation to update any forward-looking statements in this Annual Report on Form 10-K to reflect future events or developments.

Item 1. Business

Overview

GoPro is enabling the way people capture and share their lives from a perspective only achieved with a GoPro. What began as an idea to help athletes document themselves engaged in sport, GoPro has become a mobile storytelling solution that helps the world share itself through immersive content. To date, our cameras and mountable and wearable accessories have generated substantially all of our revenue. We sell our products globally through retailers, wholesale distributors, and on our website.

Our product offerings include the following:

- *HERO5* is our all-new line of cloud-connected cameras launched in Fall 2016 featuring image stabilization, telemetry, cloud connectivity and voice control.
- *GoPro Plus* is a new cloud-based storage solution that enables subscribers to easily access, edit and share content. HERO5 cameras can automatically upload new photos and videos to a subscriber’s GoPro cloud account.
- *Quik* is our primary mobile editing app that makes it simple to create stunning edits on a smartphone. Our Quik desktop app provides expanded editing options for power users.
- *Capture* is a mobile app that allows users to preview and play back shots, control their GoPro cameras and share content on the fly using their smartphones.
- *Karma* is our compact and foldable drone and versatile stabilization solution that includes the Karma controller, and camera stabilizer, and it all fits in a custom backpack.
- *Karma Grip* is a handheld, body-mountable camera stabilizer that makes it easy to capture zero-shake, smooth video.
- We also offer a full ecosystem of mountable, wearable and voice activated accessories. See “Products” below for additional information.

We believe our investments in hardware, cloud and mobile have yielded a solid foundational experience for consumers that we will continue to build upon in 2017.

Our strategy

Helping our consumers capture and share experiences is at the core of our business. We are committed to developing solutions that create an easy, seamless experience for consumers to capture, create and enjoy engaging personal content. When consumers use our products and services, those products and services enable compelling, authentic content that organically increases awareness for GoPro, driving a virtuous cycle and a self-reinforcing demand for our products. We believe revenue growth may be driven by the introduction of new cameras, drones, accessories and software applications. We believe new camera features drive a replacement cycle and attract new users, and mobile editing solutions, auto-upload capabilities, local language user-interfaces and voice recognition in multiple languages drive the expansion of our total addressable market. Key components of our growth strategy for 2017 and beyond include the following:

Drive profitability through improved efficiency, lower costs and better execution. We incurred material operating losses in 2016 and our future success will depend in part upon our ability to manage our operating expenses effectively. In the fourth quarter of 2016, we implemented a company-wide restructuring of our business resulting in a global reduction-in-force, the elimination of several high-cost initiatives, including the closure of our entertainment group in order to focus our resources on our hardware and software integrated storytelling solution, and the consolidation of certain leased office facilities. (See “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” below for information regarding restructuring charges in 2016 and future periods.) We believe the actions we have taken will reduce our operating expenses by more than \$100 million in 2017 compared to 2016, while providing a flatter more efficient global organization that will allow for improved communication and alignment among our functional teams. For 2017 and beyond, we plan to operate efficiently while continuing to invest in those areas that we believe will grow revenue.

Make the smartphone central to the GoPro experience. We seek to eliminate the pain point of managing content and making it a seamless and near automatic process for our users to stay engaged in an activity or moment without having to pause to document their experience. Our new cloud-connected HERO5 cameras, GoPro Plus service and Quik editing applications all work together enabling an experience that allows users to capture, auto-upload and edit content on a mobile device without ever touching an SD card or computer. We believe HERO5’s auto-upload and voice control features provide game-changing experiences for consumers that we will continue to build upon in the future with our next-generation cameras. Our Quik editing applications enable users to quickly produce high-quality videos that are fun to create and easy to share across multiple platforms. We expect to continue to enhance our software and services offerings, including solutions that automate editing on-the-go and enable content transfer from GoPro cameras to mobile devices, with a focus on making the smartphone a key component in the GoPro user experience.

Market the improved GoPro experience to our extended community. We believe the global market for enabling people to self-capture compelling, immersive photo and video content of their everyday life and activities is large. To date, our business strategies have enabled us to be a leader in outdoor recreational markets such as skiing, snowboarding, surfing, motorsports, kayaking, hunting and fishing, and we continue to target other categories, such as music, families, travel and fitness. We believe many consumers in these other markets may not be as familiar with our brand and products, and while other consumers may know of our brand, have not recognized GoPro as the go-to product and service for capturing and sharing meaningful moments in their lives. We believe there is a significant opportunity for GoPro to expand awareness through the greater GoPro community of users, followers and fans and through more targeted media campaigns. Although we ceased our pursuit of monetizing GoPro content with the recent closure of our entertainment group, we will continue to develop content that builds awareness for our brand, products and partner platforms.

Grow our business internationally. We believe that international markets represent a significant growth opportunity for GoPro. Revenue from outside the United States comprised 53%, 52% and 43% of our revenue in 2016, 2015 and 2014, respectively. We believe our continued investments in innovative and easy-to-use cameras and drones, as well as intuitive and simple software tools and services, will enable us to expand our user base to a broader group of international consumers. We plan to increase our presence globally through the active promotion of our brand, the creation and cultivation of regional strategic and marketing partnerships, the

introduction of localized products in international markets with region specific marketing, and an investment focus on the biggest opportunities in Europe and the Asia-Pacific region.

Expand the GoPro experience for advanced users. We will continue to pursue our goal of developing the world's most versatile cameras, drones and stabilization products for enabling self-capture during any activity or moment. We will seek to leverage our brand strength and product expertise to drive a hardware upgrade cycle for our users and opportunistically enter complementary new device categories, including our recent re-entry into the consumer drone market with our first aerial drone, Karma, as well as virtual reality products beyond 2017. With our drone and our robust ecosystem of mounts and accessories, including a voice-control remote, GoPro products allow our users to live the moment they wish to capture without having to step outside of that moment to capture it.

Products

Cameras. We offer the cloud connected HERO5 Black and HERO5 Session cameras as well as the HERO Session. The HERO5 line of cameras are waterproof (without a housing), come with select mounting accessories, and have built-in Wi-Fi and Bluetooth providing connectivity with a mobile device to enable remote control, content viewing, editing and sharing functionality. Our HERO5 cameras shoot in 4K at 30 frames per second and also feature multi-language voice control, electronic image stabilization, simplified controls, and the ability to auto-upload photos and videos to the cloud via Wi-Fi for easy access and editing with our Quik application. HERO5 Black features GPS and additional sensors that capture location, elevation, speed and G-force loads.

Drone and image stabilization. The Karma drone features a compact design that fits in a small backpack, and the drone is flown using a game-style controller with an integrated touch display. Karma also includes a 3-axis camera stabilizer that can be removed from the drone and attached to the Karma Grip. Karma Grip, which we also offer as a standalone accessory, is a handheld, body-mountable camera stabilizer product that makes it easy to capture zero-shake, smooth video.

Virtual reality. Omni is a professional spherical camera rig plus related stitching software. It's an end-to-end solution that connects and synchronizes six HERO4 Black cameras for capturing, stitching and publishing high-resolution virtual reality (360°) and immersive content.

Mounts and accessories. We offer a wide range of mounts and accessories, either bundled with a camera or sold separately, that enhance the functionality and versatility of our cameras and drone, and enable our consumers to self-capture their experiences during a variety of activities or moments, and from different viewpoints. These include equipment-based mounts, such as the helmet, handlebar, roll bar, as well as tripod mounts, such as the 3-way, a 3-in-1 mount that can be used as a camera grip, extension arm or tripod. We also enable consumers to wear mounts on their bodies, such as our wrist housing, chest harness and head strap. Our accessories include the Remo voice-activated waterproof remote, a micro-USB card reader, Quik Key, that plugs into a smartphone for quick transfer of content from the camera, Karma Grip, Smart Remote, Floaty Backdoor and Battery BacPac, all of which expand the features, versatility and convenience of our cameras. Additionally, we offer spare batteries, charging accessories and cables to connect our GoPro cameras to television monitors, flotation devices, dive filters and anti-fogging solutions.

Applications. We offer mobile and desktop applications to all consumers at no charge that help our users manage, edit, view and share their content. The Quik mobile app is a fast, easy way to automatically create awesome videos from users' smartphone content or from their GoPro Plus account. Quik for desktop automatically imports content from a GoPro camera and makes it simple for users to create awe-inspiring videos synced to music with just a few clicks of the mouse. Our Capture app allows users to preview and play back shots, control their GoPro and share content on the fly using their smartphones. The GoPro VR app allows users to explore exciting virtual reality experiences on their smartphone. Our GoPro Passenger app for Karma allows one person to view the flight and control the GoPro mounted camera while another person flies the drone using the Karma controller.

Services. GoPro Plus is a cloud-based subscription service that offers a range of premium benefits to our consumers, including easy auto-upload from a GoPro camera to the cloud for on-the-go access, editing and sharing using a smartphone and the Quik app, an expanded library of soundtracks, premium support, and

exclusive discounts on mounts and accessories. GoPro Care is a fee-based service that offers a range of support options to our consumers, including extended warranty and accidental damage coverage. Revenue earned to date from GoPro Plus and GoPro Care was not material to our results in 2016.

Seasonality

Our sales are subject to seasonal fluctuation. Historically, we have experienced the highest levels of revenue in the fourth quarter of the year, coinciding with the holiday shopping season. Our fourth quarter revenue comprised 46%, 27% and 45% of our 2016, 2015 and 2014 revenue, respectively. Sales of consumer products are also heavily influenced by the timing of the release of new products. Fourth quarter 2016 revenue benefited from the launch of our HERO5 cameras just prior to the holiday season. In 2015, we launched our products earlier in the year. Neither historical seasonal patterns nor historical patterns of product introductions should be considered reliable indicators of our future pattern of product introductions, future revenue or financial performance.

Segment information and geographic data

We operate as one reportable segment. Financial information about geographic areas is presented in Note 12 to the Notes to Consolidated Financial Statements of this Annual Report on Form 10-K.

Backlog

We do not believe that backlog information is material or meaningful as of any particular date or indicative of future sales, as our customers can change or cancel orders with limited or no penalty and limited advance notice prior to shipment.

Research and development

We are passionate about developing new and innovative products that inspire our consumers and enhance our brand. We are constantly innovating to deliver better performance, expanded functionality and increased convenience to enhance the appeal of our products. In particular, we have increased our investment in software application development to facilitate convenient and seamless content management, editing and sharing. We strive to remain a market leader by consistently introducing innovative products that offer optimal performance at affordable price points and better software functionality.

We have a user experience-driven approach to product development and our CEO leads product design. By engaging with customers, consumers and opinion leaders in our core markets around the world, our development team strives to introduce meaningful and empowering new features that expand the versatility and performance of our products. We also benefit from input received from our in-house production team, our sponsored athletes and our brand advocates that regularly travel the world capturing content using our products. We believe leveraging this input will help refine our existing products and influence future products that give us a competitive advantage.

The engineering team supports the development of cameras, drones, related mounts and accessories, firmware and software. The hardware engineering team is responsible for developing technologies to support the concepts developed by our product team. These core technologies include new image silicon processors, image sensors and lenses, as well as the core algorithms that enable the systems to operate and provide optimal performance and features. The hardware engineering team also integrates these innovations and firmware into our product designs and develops our cameras, drones, mounts and accessories.

The software engineering team develops applications that enhance the functionality of our products and facilitate the management, editing, sharing and viewing of content. These applications are being developed for mobile, desktop and web-based platforms and powered by server-side services. The core technologies include rendering engines to enable video editing, video encoding and decoding for smooth playback and algorithms for moment identification.

Our research and development expense was \$358.9 million, \$241.7 million and \$151.9 million for 2016, 2015 and 2014, respectively.

Manufacturing, logistics and fulfillment

Our products are designed and developed in California, Switzerland, France and China, and a significant majority of our manufacturing is outsourced to contract manufacturers located in China. We believe that using outsourced manufacturing enables greater scale and flexibility than establishing our own manufacturing facilities. Our strategic commodity team manages the pricing and supply of the key components of our cameras and drones, including digital signal processors, sensors, lenses and motors. Several key strategic parts are purchased from suppliers by us and then consigned to our manufacturers, while the vast majority of parts are procured directly by our contract manufacturers. We seek to use our commodity team to achieve competitive pricing on the largest value-add components, and leverage our contract manufacturers' volume purchases for best pricing on common parts.

We have third-party fulfillment centers in California, China, Hong Kong, Singapore, Brazil and the Netherlands that deliver our products from multiple locations worldwide. These facilities are either warehouse/fulfillment centers or full service postponement centers (that perform light assembly in addition to warehouse/fulfillment). In addition, we have third-party centers in California, Czech Republic and China that perform in-region final packaging services. Cameras are typically air freighted while accessories and packaging are generally regionally procured or shipped via ocean freighter from our manufacturers in China to these fulfillment centers, where the products are packaged for retail sale. Our fulfillment strategy allows us to reduce shipping costs, reduce custom levies, customize products for local languages and improve inventory flexibility.

Sales channels and customers

We offer our products in over 45,000 retail outlets and in over 100 countries through our direct sales channel and indirectly through our distribution channel. In 2016 and 2015, our direct sales accounted for 55% and 52% of our revenue, respectively, and our distributors accounted for 45% and 48% of our revenue, respectively.

Direct sales

We sell directly to most of our retailers in the United States, some of our retailers in Europe and directly to consumers around the world through our e-commerce channels, as described below. We believe that our diverse direct sales channels are a key differentiator for GoPro.

Independent specialty retailers. We use a network of location-based independent manufacturer representatives to sell our products to independent specialty retailers in the United States focused on sports and consumer activity capture markets. Our representatives provide highly personalized service to these retailers, including in-store merchandising, taking orders and providing clinics to educate retail sales personnel about GoPro products and services. We also have an internal, regionally focused sales team that provides a secondary level of service to both the independent specialty retailers and manufacturer representatives. Independent specialty retailers generally carry our higher end products, targeting their core customers who we believe tend to be early adopters of new technologies. Independent specialty retailers outside of the United States represent a similarly important sales channel for us, and we reach these customers indirectly through our network of international distributors.

Big box retailers. We sell to large retailers with a national presence, including Amazon.com, Inc., Best Buy, Inc., Target Corporation and Wal-Mart, Inc. We support these retailers with a dedicated and experienced sales management team that we believe enables us to reduce channel conflict. Best Buy, Inc. accounted for 17%, 14% and 20%, of our total revenue in 2016, 2015 and 2014, respectively, and Amazon.com, Inc. accounted for 11% and 12% of our total revenue in 2016 and 2015, respectively.

Mid-market retailers. We also sell to retailers with a large regional or national presence, often focused on specific verticals such as consumer electronics, sporting goods, military, hunting and fishing and motor sports. In the U.S., we sell directly to these mid-market retailers through our experienced sales teams assigned to particular accounts and regions.

E-commerce channel. We sell our full line of products directly to consumers around the world through our online store at gopro.com, which we market through online and offline advertising. Sales through gopro.com were less than 10% of our total revenue for 2016, 2015 and 2014.

Distribution

We sell to over 50 distributors who resell our products to retailers in international markets and to certain specific verticals in the United States. We have dedicated sales personnel focused on providing a high level of service to these distributors, including assisting with product mix planning, channel marketing and in-store merchandising, development of marketing materials, order assistance and educating the distributors' sales personnel about GoPro products.

In-store merchandising

Our in-store merchandising strategy focuses on our iconic GoPro-branded, video-enabled point of purchase ("POP") merchandising displays that are located in nearly all retail outlets where our products are sold. These displays showcase GoPro videos and attractively present our product ecosystem in a customer-friendly manner. Our larger retailers help us represent a broader range of products due to their deployment in their stores of our larger and custom POP displays. Having recognized our success in these stores, coupled with our expanding product portfolio, we have been successful working with our retailers to further expand the footprint of our POP displays within existing stores. As of December 31, 2016, we had approximately 29,000 POP displays in retail outlets worldwide, up year-over-year from approximately 25,000 at December 31, 2015.

Marketing and advertising

Our marketing and advertising programs are focused on engaging consumers by exposing them to compelling GoPro content and educating them about the new hardware features as well as the power of our solutions for software editing (Quik mobile and desktop) and content management (GoPro Plus). We believe this approach enhances our brand while demonstrating the performance, durability and versatility of our products. Our marketing and advertising efforts span a wide range of consumer interests and leverage both traditional consumer marketing and lifestyle marketing strategies.

Consumer marketing. Social media plays an important role in our consumer marketing strategy. Our consumers capture and share personal GoPro content on social media and content sharing platforms like Facebook, Instagram, Pinterest, Twitter, Vimeo and YouTube. We estimate social media views of GoPro content reached approximately 238 million, up over 40% year-over-year, driven by an estimated 160% year-over-year increase in views on Facebook. In 2016, we gained almost 6 million new followers to our social accounts, which represented an estimated 30% increase over 2015 to a total of approximately 25.5 million followers. We also integrate user-generated content and GoPro originally produced content into advertising campaigns across various platforms including television, print, online, billboards and other out of home advertising, and at consumer and trade facing events. This content also supports our in-store channel marketing efforts, appearing on our POP displays and other in-store marketing materials. Although we ceased our pursuit of monetizing GoPro content with the recent closure of our entertainment group, we continue to believe GoPro content remains a significant asset that builds awareness for our brand and products.

Lifestyle marketing. Our lifestyle marketing programs focus on expanding GoPro brand awareness by engaging consumers through relationships with key influencers, event promotions and other outreach efforts. We cultivate strong relationships with influential athletes, celebrities, entertainers and brands, all of whom use our products to create and share engaging content with their own fans and consumers. We also work directly with these partners to create compelling content that we leverage to our mutual benefit across the GoPro Network, a collection of GoPro Channels hosted on a variety of online destinations and partner platforms.

Competition

The market for cameras is highly competitive and characterized by frequent product introductions and rapid technological advances. We believe the principal competitive factors impacting the market for our products include quality, reliability and user experience, price and performance, design innovation, brand recognition, marketing and distribution capability, service and support, and brand reputation.

We compete against established, well-known camera manufacturers such as Canon Inc., Fujifilm Corporation, Nikon Corporation, Olympus Corporation and Vivitar Corporation, as well as large, diversified electronics companies such as, Panasonic Corporation, Samsung Electronics Co. and Sony Corporation and specialty companies such as Garmin Ltd. We believe we compete favorably with these companies' products. Our durable

and versatile product design facilitates increased functionality and wearability and we offer a variety of mounts and other accessories that enable a wide range of consumer use cases that are difficult for other competing products to address. Further, we offer many professional-grade features within our good, better, best product offering at attractive consumer price points, including our superview mode, which allows a user to capture an immersive wide-angle perspective, super high resolution video capability, voice control features, and image stabilization. We also provide users with a suite of free mobile and desktop applications that enhance the overall GoPro experience. Moreover, we believe we have achieved significant brand recognition in our target vertical markets. We believe our years of experience working with active and influential consumers contributes to our ability to develop attractive products and establishes the authenticity of our brand, thereby differentiating us from current and potential competitors.

Smartphones and tablets with photo and video functionality have significantly displaced the market for traditional camera sales, and the makers of those devices also have mobile and other content editing applications and storage for content captured with those devices. Our Quik mobile and desktop editing applications, our Capture application and our GoPro Plus service may not be as compelling a solution as those offered by other companies, such as Apple, Inc. and Google, although the Quik mobile application supports content from other platforms including content from Apple. Also, it is possible that, in the future, the manufacturers of such devices, such as Apple, Google and Samsung, may design them for use in a range of conditions, including challenging physical environments, or develop products with features similar to ours. In addition, new companies may emerge and offer competitive products directly in our category.

We recently entered the consumer drone market and face significant competition from other companies promoting their own drone and related products. These include established and start up drone manufacturers, such as DJI Technology Co., Parrot SA and Yuneec International Co., who currently have or are attempting to gain a substantial share of the emerging international drone market. We believe we compete favorably with these companies' products because our Karma system delivers strong versatility to consumers. The combination of a GoPro camera, removable camera stabilizer, portable drone and backpack allows consumers to create high quality, stabilized content, in the air, on the ground and mounted to their gear. We believe that our focus on versatility, GoPro compatibility, ease of use and portability contributes to the attractiveness of our aerial and stabilization products and differentiates us from current and potential competitors.

Intellectual property

Intellectual property is an important aspect of our business, and our practice is to seek protection for our intellectual property as appropriate. Our trademarks, including "GOPRO," "HERO," "SESSION," and "KARMA," and the GoPro logos, among others, are a critical component of the value of our business. In addition, we hold many issued and pending utility and design patents for innovations that help our consumers capture, create, and share their content using our cameras, drones, mounts, accessories, and software. Our patents cover areas that include physical structures, image processing, operational firmware and software, post-processing software, distribution software, mount and accessory structures, as well as the ornamental aspects of our hardware and software products. As of December 31, 2016, we had 208 issued patents and 497 patent applications pending in the United States, and 112 corresponding issued patents and 165 patent applications pending in foreign countries. Our issued U.S. patents will expire between 2022 and 2036 and our issued foreign patents will expire between 2022 and 2041. We cannot be certain that our patent applications will be issued or that any issued patents will provide us with any competitive advantage or will not be challenged by third parties. We continually review our development efforts to assess our innovations, including their patentability. We take active measures to protect our intellectual property against unauthorized third party use, including misuse of our patents, copyrights, and trademarks, and other proprietary rights.

In addition to the foregoing protections, we generally control access to and use of our proprietary and other confidential information through the use of internal and external controls, including contractual protections in agreements with employees, contract manufacturers, distributors and others. Despite these protections, we may be unable to prevent third parties from using our intellectual property without our authorization, breaching any nondisclosure agreements with us, or independently developing products that are similar to ours, particularly in those countries where the laws do not protect our proprietary and intellectual property rights as fully as in the United States.

Employees

As of December 31, 2016 we had 1,552 employees. None of our employees are currently covered by a collective bargaining agreement, and we have experienced no work stoppages. We consider our relationship with our employees to be good.

Corporate and available information

We were incorporated as Woodman Labs, Inc. in California and began doing business as GoPro in February 2004. We reincorporated in Delaware in December 2011 and in February 2014 we changed our name to GoPro, Inc. Our principal executive offices are located at 3000 Clearview Way, San Mateo, California 94402, and our telephone number is (855) 636-3578. We completed our initial public offering in July 2014 and our Class A common stock is listed on the NASDAQ Global Select Market under the symbol "GPRO". Our Class B common stock is not listed nor traded on any stock exchange.

We have registered and applied to register a number of trademarks with the U.S. Patent and Trademark Office and the trademark offices of other countries including "GOPRO," "HERO," "KARMA," "SESSION" and the GoPro logos. This Annual Report on Form 10-K also includes references to trademarks and service marks of other entities, and those trademarks and service marks are the property of their respective owners.

Our website address is www.gopro.com. Through a link on the Investor Relations section of our website, we make available the following filings as soon as reasonably practicable after they are electronically filed with or furnished to the Securities and Exchange Commission (SEC): our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act. All such filings are available free of charge. The information posted on our website is not incorporated into this report. Further, a copy of this Annual Report on Form 10-K is located at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Information on the operation of the Public Reference Room can be obtained by calling the SEC at 1-800-SEC-0330. The SEC maintains a website that contains reports, proxy and information statements and other information regarding our filings at www.sec.gov.

Item 1A. Risk Factors

You should carefully consider the risks described below and all other information contained in this Annual Report on Form 10-K before making an investment decision. Our business, financial condition, cash flows and operating results could be materially and adversely affected if any of the following risks, or other risks and uncertainties that are not yet identified or that we currently think are immaterial, actually occur. In that event, the trading price of our shares may decline, and you may lose part or all of your investment.

Risks related to our business and industry

Our future growth depends in part on further penetrating our total addressable market, and we may not be successful in doing so.

Our growth historically has largely been fueled by the adoption of our products by people looking to self-capture images of themselves participating in exciting physical activities. We believe that our future growth depends on continuing to reach and expand our core community of users, followers and fans and then utilizing that energized community as brand ambassadors to an extended community. We believe that in order to expand our market, we must provide both innovative and easy-to-use products as well as intuitive and simple software tools that enable effortless sharing of content, with the smartphone as central to the GoPro experience. We may not be able to expand our market through this strategy on a timely basis, or at all, and we may not be successful in providing tools that our users adopt or believe are easy to use.

In Fall 2016, we launched our integrated storytelling solution comprising our new cloud-connected HERO5 cameras, a new ecosystem of mounts and accessories, our new GoPro Plus cloud-based storage service, our updated Capture application and updated versions of our Quik mobile and desktop editing applications. We plan to further build upon our integrated storytelling solution in future periods, and our investments in this solution, including marketing and advertising expenses, may not successfully drive increased sales of our products and our users may not adopt our new offerings. If we are not successful in broadening our user base with our integrated solution, our future revenue growth will be negatively impacted and we may not recognize benefits from our investments in the various components of our storytelling solution and the marketing, sales and advertising costs to promote our solution.

Our growth also depends on expanding our market with new capture perspectives, including spherical and aerial, which are resource-intensive initiatives in highly competitive markets. While we are investing resources, including in sales and marketing, to reach these expanded and new consumer markets, we cannot be assured that we will be successful in doing so. If we are not successful in penetrating additional markets, we might not be able to grow our revenue and we may not recognize benefits from our investment in new areas.

To remain competitive and stimulate consumer demand, we must effectively manage product introductions, product transitions and marketing.

We believe that we must continually develop and introduce new products, enhance our existing products and effectively stimulate customer demand for new and upgraded products to maintain or increase our revenue.

The success of new product introductions depends on a number of factors including, but not limited to, timely and successful research and development, pricing, market and consumer acceptance, the effective forecasting and management of product demand, purchase commitments and inventory levels, the availability of products in appropriate quantities to meet anticipated demand, the management of manufacturing and supply costs, the management of risks associated with new product production ramp-up issues, and the risk that new products may have quality issues or other defects or bugs in the early stages of introduction. In addition, the introduction or announcement of new products or product enhancements may shorten the life cycle of our existing products or reduce demand for our current products, thereby offsetting any benefits of successful product introductions and potentially lead to challenges in managing inventory of existing products. Failure to complete product transitions effectively or in a timely manner could harm our brand and lead to, among other things, lower revenue, excess prior generation product inventory, or a deficit of new product inventory and reduced profitability.

For example, in Fall 2016, we experienced production issues that resulted in delayed unit shipments of our new HERO5 Black cameras in the third and fourth quarters of 2016. In addition, in November 2016, we announced the withdrawal of all Karma drones after we discovered that some Karma units lost power during operation. As a result of these issues, our revenues and operating results for the second half of 2016 were negatively impacted. In addition, in January 2016, we announced the end-of-life for our entry-level HERO line of cameras in order to simplify our product offering. As a result, we recorded product charges of approximately \$57 million and \$8 million to cost of revenue in the fourth quarter of 2015 and first quarter of 2016, respectively.

Additionally, our brand and product marketing efforts are critical to stimulating consumer demand. We market our products globally through a range of advertising and promotional programs and campaigns, including social media. If we do not successfully market our products, the lack of success or increased costs of promotional programs could have an adverse effect on our business, financial condition and results of operations.

We depend on sales of our cameras, mounts and accessories for substantially all of our revenue, and any decrease in the sales or change in sales mix of these products would harm our business.

We expect to derive the substantial majority of our revenue from sales of cameras, mounts and accessories for the foreseeable future. A decline in the price or unit demand for these products, whether due to macroeconomic conditions, competition or otherwise, or our inability to increase sales of these products, would harm our business and operating results more seriously than it would if we derived significant revenue from a variety of product lines and services.

While we have developed and released products and services to add to our offerings, we may not be successful in achieving future revenue growth driven by newly released products and services. For example, concurrently with our HERO5 camera launch we announced our integrated storytelling solution to make editing and sharing content from a GoPro easier for our users. If all the components of the storytelling solution do not work together seamlessly or our users do not adopt them, they may not drive camera sales and our operating results could be adversely affected. In addition, although we re-launched Karma in the first quarter of 2017, drone sales may not result in long term success or significant revenue for us. We cannot be assured that our investments in the development of software-related products and services, or drones, will result in either increased revenue or profit. Changes in product mix may harm our financial results. If there is a shift in consumer demand from our higher-priced to lower-priced cameras without a corresponding increase in units sold, our revenues and gross profit could decrease.

As a result, our future growth and financial performance may continue to depend heavily on our ability to develop and sell enhanced versions of our cameras, mounts and accessories. If we fail to deliver product enhancements, new releases or new products and services that appeal to consumers, our future financial condition, operating results and cash flows will be materially affected. Further, our products are discretionary items for consumers subject to changing preferences. The overall market for consumer electronics is highly competitive and consumers may choose to spend their dollars on products or devices offered by our competitors or other consumer electronics companies instead of on GoPro products, which may adversely affect our sales.

An economic downturn or economic uncertainty in our key U.S. and international markets, as well as fluctuations in currency exchange rates, may adversely affect consumer discretionary spending and demand for our products.

Factors affecting the level of consumer spending include general market conditions, macroeconomic conditions, fluctuations in foreign exchange rates and interest rates, and other factors such as consumer confidence, the availability and cost of consumer credit, levels of unemployment and tax rates. The substantial majority of our sales occur in U.S. dollars and an increase in the value of the dollar against the Euro and other currencies could increase the real cost to consumers of our products in those markets outside the United States. If global economic conditions are volatile or if economic conditions deteriorate, consumers may delay or reduce purchases of our products resulting in consumer demand for our products that may not reach our sales targets. For example, the recent referendum vote in the U.K. to exit the European Union, commonly known as “Brexit”, caused significant short term volatility in global stock markets as well as currency exchange rate fluctuations, resulting in further strengthening of the U.S. dollar. Further, as a result of the increase in the value of the U.S. dollar against the Euro and British Pound in recent periods, we have increased the prices of certain products to

customers in euro zone countries to maintain our profit margins in these markets. These changes have increased the real cost to customers and consumers of our products in these markets, which may reduce purchases of our products and have a negative impact on our future international revenue. Further strengthening of the U.S. dollar and/or weakness in the economies of euro zone countries could adversely impact sales of our products in the European region, which would have a material negative impact on our future operating results. Our sensitivity to economic cycles and any related fluctuation in consumer demand could adversely affect our business, financial condition and operating results.

If we are unable to anticipate consumer preferences and successfully develop desirable products and solutions, we might not be able to maintain or increase our revenue and profitability.

Our success depends on our ability to identify and originate product trends as well as to anticipate, gauge and react to changing consumer demands in a timely manner. All of our products are subject to changing consumer preferences that cannot be predicted with certainty and lead times for our products may make it more difficult for us to respond rapidly to new or changing product or consumer preferences. If we are unable to introduce appealing new products or novel technologies in a timely manner, or our new products or technologies are not accepted or adopted by consumers, our competitors may increase their market share, which could hurt our competitive position.

Our research and development efforts are complex and require us to incur substantial expenses to support the development of our next generation cameras, drones, mobile and desktop editing applications, and other new products and services. Our research and development expense was \$358.9 million, \$241.7 million and \$151.9 million for 2016, 2015 and 2014, respectively. We expect that our research and development expenses will continue to be substantial in 2017 but less than expense levels incurred in 2016. Our more limited research and development investment in 2017 may require us to forego investment in certain products or features which might have been successful and we may not choose the right features, products, or services to update or enhance. Unanticipated problems in developing products could also divert substantial resources, which may impair our ability to develop new products and enhancements of existing products, and could further increase our costs. For example, in the fourth quarter of 2016, we diverted resources to investigate and resolve an issue related to our Karma drone after discovering that some Karma units lost power during operation.

We may not be able to achieve an acceptable return, if any, on our research and development efforts, and our business may be adversely effected. As we continually seek to enhance our products, we will incur additional costs to incorporate new or revised features. We might not be able to, or determine that it is not in our interests to, raise prices to compensate for any additional costs.

Our entrance into the consumer drone market is subject to numerous risks and uncertainties.

We began resuming shipments of Karma in the United States in the first quarter of 2017 and expect to begin shipping internationally in Spring 2017. We have no prior experience in the consumer drone market and expect to face significant competition from incumbent companies promoting their own drone and related products. These include established and start up drone manufacturers, such as DJI Technology Co., Parrot SA and Yuneec International Co., who currently have or are attempting to gain a substantial share of the emerging global drone market. A nascent industry of software developers developing for the drone market is growing and if we do not support this third party developer movement, we may forego the benefits of this developer ecosystem. Failure to effectively compete in this new market could damage our reputation, limit our growth and negatively affect our operating results. Furthermore, we are committed long-term to the drone market and we expect to continue to invest significant resources for the foreseeable future.

Regulations and legislation relating to the distribution, sale and use of consumer drones in the United States and other countries where we plan to sell our drones are evolving and may be subject to future changes that could negatively impact our sales of such products. It is possible that further U.S. federal or state regulations or regulations in other countries could restrict the use of recreational drones and/or require specific registration, certification, qualifications or design modifications, which could have an unfavorable impact on our future business, financial position and operating results.

In addition, our drones and related product offerings present new and difficult technical challenges, and we may be subject to claims if users experience failures or other quality issues. For example, in November 2016, we

withdrew Karma drones from the market after we discovered that some Karma units lost power during operation. No related injuries or property damage have been reported and we have offered a full refund to Karma purchasers. If our drones malfunction or contain errors or defects in the future, collisions or crashes could occur resulting in property damage, personal injury or death. If any of these events occurs, we could be subject to significant liability for personal injury and property damage.

We operate in a highly competitive market and the size and resources of some of our competitors may allow them to compete more effectively than we can, which could result in a loss of our market share and a decrease in our revenue and profitability.

The market for cameras is highly competitive. Further, competition has intensified as existing competitors have introduced new and more competitive offerings alongside their existing products, and as market entrants have introduced new products into our markets. Increased competition and changing consumer preferences may result in pricing pressures, reduced profit margins and may impede our ability to continue to increase the sales of our products or cause us to lose market share, any of which could substantially harm our business and results of operations.

We compete against established, well-known camera manufacturers such as Canon Inc., Fujifilm Corporation, Nikon Corporation, Olympus Corporation and Vivitar Corporation, as well as large, diversified electronics companies such as, Panasonic Corporation, Samsung Electronics Co. and Sony Corporation and specialty companies such as Garmin Ltd. Many of our current competitors have substantial market share, diversified product lines, well-established supply and distribution systems, strong worldwide brand recognition and greater financial, marketing, research and development and other resources than we do. Many of our existing and potential competitors enjoy substantial competitive advantages, such as longer operating histories; the capacity to leverage their sales efforts and marketing expenditures across a broader portfolio of products; broader distribution and established relationships with channel partners; access to larger established customer bases; greater resources to make acquisitions; larger intellectual property portfolios; and the ability to bundle competitive offerings with other products and services. Further, new companies may emerge and offer competitive products. We are aware that certain companies have developed cameras designed and packaged to appear similar to our products, which may confuse consumers or distract consumers from purchasing GoPro products.

Moreover, smartphones and tablets with photo and video functionality have significantly displaced the market for traditional cameras, and the makers of those devices also have mobile and other content editing applications and storage for content captured with those devices. Our Quik mobile and desktop editing applications, Capture application and our GoPro Plus service may not be as compelling a solution as those offered by other companies, such as Apple, Inc. and Google, although the Quik mobile application supports content from other platforms including content from Apple and Google. Also, it is possible that, in the future, the manufacturers of smartphones and tablets, such as Apple, Google, and Samsung, may design them for use in a range of conditions, including challenging physical environments, or develop products with features similar to ours.

We recently entered the consumer drone market and face significant competition from other companies promoting their own drone and related products. These include established and start up drone manufacturers, such as DJI Technology Co., Parrot SA and Yuneec International Co., who currently have or are attempting to gain a substantial share of the emerging global drone market. Failure to effectively re-launch our drone and compete in this new market could negatively affect our operating results and financial position.

We may not be able to achieve revenue growth or profitability in the future.

We have historically experienced significant revenue growth. As our revenue has increased, our annual growth rate has slowed or declined, and our historical results should not be considered as indicative of our future performance. For example, our annual revenue grew rapidly from \$986 million in 2013 to \$1.62 billion in 2015 and then declined to \$1.19 billion in 2016. In future periods, we could again experience a decline in revenue, or revenue could grow more slowly than we expect, which could have a material negative effect on our future operating results.

In addition, we incurred a substantial operating loss of \$373 million in 2016 as compared to operating income of \$54.7 million in 2015. Lower levels of revenue or higher levels of operating expense investment in future periods

may result in additional losses or limited profitability. Although we have implemented restructuring actions to reduce our future operating expenses, we may not realize the cost savings expected from these actions. We may continue to incur significant losses in the future for a number of reasons, including other risks described in this Annual Report on Form 10-K, and we may encounter unforeseen expenses, difficulties, complications, delays and other unknown factors.

If our sales fall below our forecasts, especially during the holiday season, our overall financial condition and results of operations could be adversely affected.

Seasonal consumer shopping patterns significantly affect our business. We have traditionally experienced greater revenues in the fourth quarter of each year due to demand related to the holiday season, and in some years, including 2016, the launch of new products heading into the holiday season. Fourth quarter revenue comprised 46%, 27% and 45% of our 2016, 2015 and 2014 revenue, respectively. Given the strong seasonal nature of our sales, appropriate forecasting is critical to our operations. We anticipate that this seasonal impact is likely to continue and any shortfalls in expected fourth quarter revenue, due to macroeconomic conditions, product release patterns, a decline in the effectiveness of our promotional activities, supply chain disruptions, or for any other reason, could cause our annual results of operations to suffer significantly. For example, as a result of production issues impacting launch volumes of our HERO5 Black cameras and the recall of our Karma drones, we were limited in our ability to meet initial estimated customer demand for the 2016 holiday season. In addition, we typically experience lower revenue in the first quarter. First quarter revenue comprised 15%, 22% and 17% of our 2016, 2015 and 2014 revenue, respectively.

In contrast, a substantial portion of our expenses are personnel related and include salaries, stock-based compensation, benefits and incentive-based compensation plan expenses, which are not seasonal in nature. Accordingly, in the event of revenue shortfalls, we are generally unable to mitigate a negative impact on operating margins in the short term. For example, we recorded a substantial net loss for 2016 due to lower levels of revenue and higher levels of operating expense investment. To the extent such revenue shortfalls recur in future periods, our operating results would be harmed.

We face substantial risks related to inventory, purchase commitments and long-lived assets, and we could incur material charges related to these items that adversely affect our operating results.

To ensure adequate inventory supply and meet the demands of our retailers and distributors, we must forecast inventory needs and place orders with our contract manufacturers and component suppliers based on our estimates of future demand for particular products as well as accurately track the level of product inventory in the channel to ensure we are not in an over or under supply situation. To the extent we discontinue the manufacturing and sales of any products or services, we must manage the inventory liquidation, supplier commitments and customer expectations. For example, in the fourth quarter of 2015 and first quarter of 2016, we recorded product charges of \$57 million and \$8 million, respectively, for excess purchase order commitments, excess inventory, and obsolete tooling, relating to the end-of-life of our entry-level HERO products and slower than anticipated overall demand.

No assurance can be given that we will not incur additional charges in future periods related to our inventory management or that we will not underestimate or overestimate forecast sales in a future period. Our ability to accurately forecast demand for our products is affected by many factors, including product introductions by us and our competitors, channel inventory levels, unanticipated changes in general market demand, macroeconomic conditions or consumer confidence. If we do not accurately forecast customer demand for our products, we may in future periods be unable to meet customer, retailer or distributor demand for our products, or may be required to incur higher costs to secure the necessary production capacity and components, and our business and operating results could be adversely affected.

If we fail to manage our operating expenses effectively, our financial performance may continue to suffer.

Our success will depend in part upon our ability to manage our operating expenses effectively. We incurred significant operating losses in 2016 and, as of December 31, 2016, we had an accumulated deficit of \$275 million. In the first and fourth quarters of 2016, we implemented global reductions-in-force and other restructuring actions to reduce our future operating expenses. Although we plan to seek to operate efficiently and

to manage our costs effectively, we may not realize the cost savings expected from these actions. We will need to continue to improve our operational, financial and management controls, reporting processes and procedures and financial and business information systems. We are also investing in areas we believe will grow revenue and our operating expenses might increase as a result of these investments. If we are unable to operate efficiently and manage our costs, we may continue to incur significant losses in the future and may not be able to achieve or maintain profitability.

In the future, in response to unfavorable market conditions or consumer demand, we may again need to strategically realign our resources, adjust our product line and/or enact price reductions in order to stimulate demand, and implement additional restructurings and workforce reductions. Any such actions may result in the recording of special charges including inventory-related write-offs, workforce reductions, or other restructuring costs. Additionally, our estimates with respect to the useful life or ultimate recoverability of our assets, including purchased intangible assets and tooling, could also change and result in impairment charges.

Our international business operations account for a significant portion of our revenue and operating expenses and are subject to challenges and risks.

Revenue from outside the United States comprised 53%, 52% and 43% of our revenue in 2016, 2015 and 2014, respectively, and we expect this portion to continue to be significant in the future. Further, our supply chain partners have operations in countries including China, Brazil, Hong Kong, Singapore, Czech Republic, Japan and the Netherlands. We intend to expand our relationships in these countries and may establish additional relationships in other countries as we continue to expand our international operations. Operating in foreign countries requires significant resources and considerable management attention, and we may enter new geographic markets where we have limited or no experience in marketing, selling, and deploying our products. International expansion has required and will continue to require us to invest significant funds and other resources and we cannot be assured our efforts will be successful. International sales and operations may be subject to risks such as:

- difficulties in staffing and managing foreign operations;
- burdens of complying with a wide variety of laws and regulations, including environmental, packaging and labeling, and drone regulations;
- adverse tax effects and foreign exchange controls making it difficult to repatriate earnings and cash;
- the impact of foreign currency exchange rates and interest rates;
- political and economic instability;
- terrorist activities and natural disasters;
- trade restrictions;
- differing employment practices and laws and labor disruptions;
- the imposition of government controls;
- lesser degrees of intellectual property protection;
- tariffs and customs duties and the classifications of our goods by applicable governmental bodies;
- a legal system subject to undue influence or corruption; and
- a business culture in which illegal sales practices may be prevalent.

The occurrence of any of these risks could negatively affect our international business and consequently our business, operating results and financial condition.

We depend on key personnel to operate and grow our business. If we are unable to retain, attract and integrate qualified personnel, our ability to develop and successfully grow our business could be harmed.

We believe that our future success is highly dependent on the contributions of our CEO and our executive officers, as well as our ability to attract and retain highly skilled and experienced research and development, sales and marketing and other personnel in the United States and abroad. All of our employees, including our executive officers, are free to terminate their employment relationship with us at any time, and their knowledge of our business and industry may be difficult to replace.

In the fourth quarter of 2016, we began implementing a restructuring of our business and announced the resignation of our President, and in January 2017, we appointed our Senior Vice President of Software and Services to be our Chief Operating Officer. These changes, and any future changes, in our operations and management team could be disruptive to our operations. Our restructuring actions and any future restructuring actions could have an adverse impact on our business as a result of decreases in employee morale and the failure to meet operational targets due to the loss of employees. If more of our key employees leave, we may not be able to fully integrate new personnel or replicate the prior working relationships, and our operations could suffer. Furthermore, if our founder and CEO, Nick Woodman, left the Company, his departure could affect our ability to continue to attract other top executives and potentially negatively impact the view of our brand.

Qualified individuals are in high demand, and we may incur significant costs to attract and retain them. While we utilize competitive salary, bonus and long-term incentive packages to recruit new employees, many of the companies with which we compete for experienced personnel also have greater resources than we do. Competition for qualified personnel is particularly intense in the San Francisco Bay Area, where our headquarters are located. We have, from time to time, experienced, and we expect to continue to experience, difficulty in hiring and retaining highly skilled employees with appropriate qualifications. In addition, job candidates and existing employees often consider the value of the equity awards they receive in connection with their employment. Fluctuations in the price of our Class A common stock may make it more difficult or costly to use equity compensation to motivate, incentivize and retain our employees. For example, during 2016, our stock price ranged from a high of \$18.69 in the first quarter to a low of \$8.69 in the fourth quarter. If we are unable to attract and retain highly skilled personnel, we may not be able to achieve our strategic objectives, and our business, financial condition and operating results could be adversely affected.

We may acquire other businesses, which could require significant management attention, disrupt our business, dilute stockholder value and adversely affect our operating results.

We have completed several acquisitions and expect to evaluate additional acquisitions of, or strategic investments in, other companies, products or technologies that we believe are complementary to our business. For example, in the first half of 2016, we acquired two mobile editing application companies for aggregate cash consideration of approximately \$104 million.

We may not be able to find suitable acquisition candidates and we may not be able to complete acquisitions on favorable terms, if at all. If we do complete acquisitions, we may not ultimately strengthen our competitive position or achieve our goals, and any acquisitions we complete could be viewed negatively by users or investors. In addition, if we fail to successfully integrate such acquisitions, or the technologies associated with such acquisitions, the revenue and operating results of the combined company could be adversely affected. Acquisitions may disrupt our ongoing operations, divert management from their primary responsibilities, subject us to additional liabilities, increase our expenses and adversely impact our business, financial condition, operating results and cash flows. We may not successfully evaluate or utilize the acquired technology and accurately forecast the financial impact of an acquisition transaction, including accounting charges. We have recorded significant goodwill and intangible assets in connection with our acquisitions, and in the future, if our acquisitions do not yield expected revenue, we may be required to take material impairment charges that could adversely affect our results of operations.

We may have to pay cash, incur debt or issue equity securities to pay for any such acquisition, each of which could affect our financial condition or the value of our capital stock. The sale of equity to finance any such acquisitions could result in dilution to our stockholders. If we incur debt it would result in increased fixed

obligations and could also subject us to covenants or other restrictions that would impede our ability to manage our operations. In addition, our future operating results may be impacted by performance earnouts or contingent payments. For example, for our 2016 acquisitions, aggregate deferred cash and stock compensation of up to approximately \$35 million is payable to certain continuing employees subject to meeting specified future employment conditions. Furthermore, acquisitions may require large one-time charges and can result in increased debt or contingent liabilities, adverse tax consequences, additional stock-based compensation expense and the recording and subsequent amortization or impairments of amounts related to certain purchased intangible assets, any of which could negatively impact our future results of operations.

We may not be able to secure additional financing on favorable terms, or at all, to meet our future capital needs.

In the future, we may require additional capital to respond to business opportunities, challenges, acquisitions or unforeseen circumstances and may determine to engage in equity or debt financings or enter into credit facilities for other reasons. We may not be able to timely secure additional financing on favorable terms, or at all. For example, our current credit facility contains restrictive covenants relating to our capital raising activities and other financial and operational matters, and any debt financing obtained by us in the future could involve further restrictive covenants, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. If we raise additional funds through the issuance of equity or convertible debt or other equity-linked securities, our existing stockholders could suffer significant dilution. If we are unable to obtain adequate financing under our credit facility, or alternative sources, when we require it, our ability to grow or support our business and to respond to business challenges could be significantly limited. In the event additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us or at all.

Our success depends on our ability to maintain the value and reputation of our brand.

Our success depends on the value and reputation of our brand, including our primary trademarks “GOPRO,” “HERO,” “KARMA,” “SESSION” and the GoPro logos. The GoPro brand is integral to the growth of our business and expansion into new markets. Maintaining, promoting and positioning our brand will largely depend on the success of our marketing and merchandising efforts, our ability to provide consistent, high quality products, and our consumers’ satisfaction with the technical support and software updates we provide. Failure to grow and maintain our brand or negative publicity related to our products, our consumers’ user-generated content, the athletes we sponsor, the celebrities we are associated with, or the labor policies of any of our suppliers or manufacturers could adversely impact our brand, business and operating results. Maintaining and enhancing our brand also requires substantial financial investments, although there is no guarantee that these investments will increase sales of our products or positively impact our operating results.

We rely on third-party suppliers, some of which are sole-source suppliers, to provide components for our products.

Our ability to meet customer demand depends, in part, on our ability to obtain timely and adequate delivery of components for our products. All of the components that go into the manufacturing of our cameras and accessories are sourced from third-party suppliers, and some of these components are provided by a single supplier or by a supplier that could potentially become a competitor.

If we lose access to components from a particular supplier, or experience a significant disruption in the supply of products and components from a current supplier, we may be unable to locate alternative suppliers of comparable quality at an acceptable price, or at all, and our business could be materially and adversely affected. In addition, if we experience a significant increase in demand for our products, our suppliers might not have the capacity or elect not to meet our needs as they allocate components to other customers. Identifying a suitable supplier is an involved process that requires us to become satisfied with the supplier’s quality control, responsiveness and service, financial stability and labor and other ethical practices, and if we seek to source materials from new suppliers there can be no assurance that we could do so in a manner that does not disrupt the manufacture and sale of our products. Our reliance on single source, or a small number of, suppliers involves a number of additional risks, including risks related to: supplier capacity constraints; price increases; timely delivery; component quality; failure of a key supplier to remain in business and adjust to market

conditions; delays in, or the inability to execute on, a supplier roadmap for components and technologies; and natural disasters, fire, acts of terrorism or other catastrophic events.

In particular, for our camera designs we incorporate image processors, sensors and lens solutions that critically impact the performance of our products. These components have unique performance profiles, and, as a result, it is not commercially practical to support multiple sources for these components for our camera and drone products. As an example, we incorporate video compression and image processing semiconductors from Ambarella, Inc. and we do not currently have alternative suppliers for these key components. In the event that Ambarella and other suppliers are unable to supply the components that we need to produce our products to meet anticipated customer demand, our business would be materially and adversely affected.

Any significant cybersecurity incidents or disruption of our information systems, and our reliance on Software-as-a-Service (SaaS) technologies from third parties, could adversely affect our business operations and financial results.

We are increasingly dependent on information systems to process transactions, manage our supply chain and inventory, ship goods on a timely basis, maintain cost-efficient operations, complete timely and accurate financial reporting, operate our e-commerce website and respond to customer inquiries.

Our information systems and those of third parties we use in our operations are vulnerable to cybersecurity risk, including cyber-attacks such as distributed denial of service (DDoS) attacks, computer viruses, physical or electronic break-ins that damage operating systems, and similar disruptions. These systems periodically experience directed attacks intended to lead to interruptions and delays in our operations as well as loss, misuse or theft of data. We have implemented physical, technical, and administrative safeguards to protect our systems. To date, unauthorized users have not had a material impact on our systems; however, there can be no assurance that attacks will not be successful in the future. In addition, our information systems must be constantly updated, patched, and upgraded to protect against known vulnerabilities and optimize performance. Material disruptions or slowdown of our systems, including a disruption or slowdown could occur if we are unable to successfully update, patch and upgrade our systems.

System disruptions, failures and slowdowns, whether caused by cyber-attacks, update failures, or other causes, could affect our financial systems and operations. This could cause delays in our supply chain or cause information, including data related to customer orders, to be lost or delayed which could result in delays in the delivery of merchandise to our stores and customers or lost sales, especially if the disruption or slowdown occurred during our seasonally strong fourth quarter. Any of these events could reduce demand for our products, impair our ability to complete sales through our e-commerce channels and cause our revenue to decline. If changes in technology cause our information systems to become obsolete, or if our information systems are inadequate to handle our growth, we could lose customers or our business and operating results could be adversely affected.

The information systems used by our third-party service providers are vulnerable to these risks as well. In particular, we are heavily reliant on SaaS enterprise resource planning systems to conduct our order and inventory management, e-commerce and financial transactions and reporting. In addition, we utilize third-party cloud computing services in connection with our business operations. Problems faced by us or our third-party hosting/cloud computing providers, or content delivery network providers, including technological or business-related disruptions, as well as cybersecurity threats, could adversely impact our business and operating results, our ability to accurately report our financial results, as well as the experience of our consumers, which in turn could adversely affect our business and operating results.

As we expand our operations, we expect to utilize additional systems and service providers that may also be essential to managing our business. Our ability to manage our business would suffer if one or more of our providers suffer an interruption in their business, or experience delays, disruptions or quality control problems in their operations, or we have to change or add systems and services. While we conduct reasonable diligence on our service providers, we may not always be able to control the quality of the systems and services we receive from these providers, which could impair our ability to maintain appropriate internal controls over financial reporting and complete timely and accurate financial reporting, and may impact our business, operating results and financial condition.

Security breaches and other disruptions including cyber-attacks, and our actual or perceived failure to adequately protect business and consumer data and content could harm our brand and our reputation in the marketplace.

In the ordinary course of our business, we electronically maintain sensitive data, including intellectual property, our proprietary business information and that of our customers and suppliers, and some personally identifiable information of our customers and employees, in our facilities and on our networks. Through GoPro Plus, users may store video and image files, including any telemetry or metadata that the user has chosen to associate with those files in the cloud. In our e-commerce services, we process, store and transmit consumer data. We also collect user data through certain marketing activities. For all of the foregoing internal and customer or consumer facing data and content collection, we collect and store that information in our or our third-party providers' electronic systems. These systems may be targets of attacks, such as viruses, malware or phishing attempts by cyber criminals or other wrongdoers seeking to steal our users' content or data, or our customer's information for financial gain or to harm our business operations or reputation. The loss, misuse or compromise of such information or content may result in costly investigations, remediation efforts and costly notification to affected consumers. If such content were accessed by unauthorized third parties or deleted inadvertently by us or third parties, our brand and reputation could be adversely affected. Cyber-attacks could also adversely affect our operating results, consume internal resources, and result in litigation or potential liability for us and otherwise harm our business. Further, we are subject to general consumer regulations and laws, as well as regulations and laws specifically related to security and privacy of consumer data or content. In the event of an incident affecting the security of consumer data or content, regulators may open an investigation or pursue fines or penalties for non-compliance with these laws, or private plaintiffs may sue us, resulting in additional costs and reputational harm to our business.

Changing laws governing e-commerce and data collection could impede growth and increase the cost of doing business.

Changing regulations and laws governing the Internet, data privacy, data protection and e-commerce transactions (including taxation, pricing and electronic communications) could impede the growth of our e-commerce business, increase our cost of doing business and limit our ability to collect and use information collected from our users. Further, new regulations limiting our ability to collect, use and disclose consumer data, or imposing additional requirements with respect to the retention and security of consumer data, could limit our marketing activities and could adversely affect our business and financial condition.

If we do not effectively maintain and further develop our sales channels, including developing and supporting our retail sales channel and distributors, our business could be harmed.

We depend upon effective sales channels to reach the consumers who are the ultimate purchasers of our products. In the United States, we primarily sell our products directly through a mix of retail channels, including big box, mid-market and specialty retailers, and we reach certain U.S. markets through distributors. In international markets, we primarily sell through distributors who in turn sell to local retailers; however, we also have direct sales relationships with certain customers.

We depend on retailers to provide adequate and attractive space for our products and POP displays in their stores. We further depend on our retailers to employ, educate and motivate their sales personnel to effectively sell our products. If our retailers do not adequately display our products, choose to reduce the space for our products and POP displays in their stores or locate them in less than premium positioning, or choose not to carry some or all of our products or promote competitors' products over ours or do not effectively explain to customers the advantages of our products, our sales could decrease and our business could be harmed. Similarly, our business could be adversely affected if any of our large retail customers were to experience financial difficulties, or change the focus of their businesses in a way that deemphasized the sale of our products. We also continue to invest in providing new retailers with POP displays and expanding the footprint of our POP displays in existing stores, and there can be no assurance that this investment will lead to increased revenue.

Our distributors generally offer products from several different manufacturers. Accordingly, we are at risk that these distributors may give higher priority to selling other companies' products. We have consolidated our distributor channels in certain regions, and if we were to lose the services of a distributor, we might need to find

another distributor in that area and there can be no assurance of our ability to do so in a timely manner or on favorable terms. Further, our distributors build inventory in anticipation of future sales, and if such sales do not occur as rapidly as they anticipate, our distributors will decrease the size of their future product orders. We are also subject to the risks of our distributors encountering financial difficulties, which could impede their effectiveness and also expose us to financial risk if they are unable to pay for the products they purchase from us. Additionally, our international distributors buy from us in U.S. dollars and generally sell to retailers in local currency so significant currency fluctuations could impact their profitability, and in turn, affect their ability to buy future products from us. For example, the Brexit referendum vote in the U.K., caused significant short term volatility in global stock markets as well as currency exchange rate fluctuations, resulting in further strengthening of the U.S. dollar.

We have converted portions of our distributors' business into direct sales, and if we were to do this on a larger scale, it could create significant disruptions to our distribution channel and the associated revenue. Any reduction in sales by our current distributors, loss of key distributors or decrease in revenue from our distributors could adversely affect our revenue, operating results and financial condition.

A small number of retailers and distributors account for a substantial portion of our revenue, and if our relationships with any of these retailers or distributors were to be terminated or the level of business with them significantly reduced, our business could be harmed.

Our ten largest customers, measured by the revenue we derive from them, accounted for 50%, 52% and 50% of our revenue for 2016, 2015 and 2014, respectively. One retailer accounted for 17%, 14% and 20% of our revenue for 2016, 2015 and 2014, respectively. A second retailer accounted for 11% and 12% of our revenue in 2016 and 2015, respectively. The loss of a small number of our large customers, or the reduction in business with one or more of these customers, could have a significant adverse impact on our operating results. In addition, we may choose to temporarily or permanently stop shipping product to customers who do not follow the policies and guidelines in our sales agreements, which could have a material negative impact on our revenues and operating results. Our sales agreements with these large customers do not require them to purchase any meaningful amount of our products annually and we grant limited rights to return product to some of these large customers.

If we encounter problems with our distribution system, our ability to deliver our products to the market and to meet customer expectations could be harmed.

We rely on third-party distribution facilities for substantially all of our product distribution to distributors and directly to retailers. Our distribution facilities include computer controlled and automated equipment, which means their operations may be vulnerable to computer viruses or other security risks, the proper operation of software and hardware, electronic or power interruptions or other system failures. Further, because substantially all of our products are distributed from only a few locations and by a small number of companies, our operations could be interrupted by labor difficulties, extreme or severe weather conditions, or floods, fires or other natural disasters near our distribution centers, or port shutdowns or other transportation-related interruptions along our distribution routes. Additionally, we use one primary supplier for the third party distribution and if this supplier were to incur financial difficulties, it could adversely affect our business.

We may be subject to warranty claims that could result in significant direct or indirect costs, or we could experience greater returns from retailers than expected, which could harm our business and operating results.

We generally provide a 12-month warranty on all of our products, except in the European Union, or EU, where we provide a two-year warranty on all of our products. Additionally, we plan to resume shipments of our Karma drone by the end of the first quarter of 2017 and we have no historical experience related to warranty claims for this product. The occurrence of any material defects in our products could make us liable for damages and warranty claims in excess of our current reserves. In addition, we could incur significant costs to correct any defects, warranty claims or other problems, including costs related to product recalls. Any negative publicity related to the perceived quality and safety of our products could affect our brand image, decrease retailer, distributor and consumer confidence and demand, and adversely affect our operating results and financial

condition. Also, while our warranty is limited to repairs and returns, warranty claims may result in litigation, the occurrence of which could adversely affect our business and operating results.

In 2016, we launched GoPro Care, a fee-based service that offers a range of support options to our consumers, including extended warranty and accidental damage coverage in the United States, and we plan to expand GoPro Care internationally. Accidental damage coverage and extended warranties are regulated in the United States on a state level and are treated differently within each state. Additionally, outside the United States, regulations for extended warranties and accidental damage vary from country to country. Changes in interpretation of the insurance regulations or other laws and regulations concerning extended warranties and accidental damage coverage on a federal, state, local or international level may cause us to incur costs or have additional regulatory requirements to meet in the future in order to continue to offer GoPro Care in compliance with any similar laws adopted in other jurisdictions. Our failure to comply with past, present and future similar laws could result in reduced sales of our products, reputational damage, penalties and other sanctions, which could harm our business and financial condition.

Consumers may be injured while engaging in activities with our products, and we may be exposed to claims, or regulations could be imposed, which could adversely affect our brand, operating results and financial condition.

Consumers use our cameras, drones and their associated mounts and accessories to self-capture their participation in a wide variety of physical activities, including extreme sports, which in many cases carry the risk of significant injury or death. Consumers may also use our drones for a wide range of flight activity, including aerial data collection, videography and photography. We may be subject to claims that users have been injured or harmed by or while using our products, including false claims or erroneous reports relating to safety, security or privacy issues, or that personal property has been damaged as a result of use of our drone. Although we maintain insurance to help protect us from the risk of such claims, such insurance may not be sufficient or may not apply to all situations. Similarly, proprietors of establishments at which consumers engage in challenging physical activities could seek to ban the use of our products in their facilities to limit their own liability. In addition, if lawmakers or governmental agencies were to determine that the use of our products increased the risk of injury or harm to all or a subset of our users or should otherwise be restricted to protect consumers, they may pass laws or adopt regulations that limit the use of our products or increase our liability associated with the use of our products. Any of these events could adversely affect our brand, operating results and financial condition.

Our intellectual property and proprietary rights may not adequately protect our products, and our business may suffer if it is alleged or determined that our technology, products, or another aspect of our business infringes third party intellectual property or if third parties infringe our rights.

We own patents, trademarks, copyrights, trade secrets, and other intellectual property (collectively “intellectual property”) related to aspects of our products, software, services and designs. Our commercial success may depend in part on our ability to obtain, maintain and protect these rights in the United States and abroad.

We regularly file patent applications to protect innovations arising from our research, development and design as we deem appropriate. We may fail to apply for patents on important products, services, technologies or designs in a timely fashion, or at all. We may not have sufficient intellectual property rights in all countries where unauthorized third party copying or use of our proprietary technology occurs and the scope of our intellectual property might be more limited in certain countries. Our existing and future patents may not be sufficient to protect our products, services, technologies or designs and/or may not prevent others from developing competing products, services, technologies or designs. We cannot predict the validity and enforceability of our patents and other intellectual property with certainty.

We have registered, and applied to register, certain of our trademarks in several jurisdictions worldwide. In some of those jurisdictions, third party filings exist for the same, similar or otherwise related products or services, which could block the registration of our marks. Even if we are able to register our marks, competitors may adopt or file similar marks to ours, register domain names that mimic or incorporate our marks, or otherwise infringe upon our trademark rights. Although we police our trademark rights carefully, there can be no assurance that we are aware of all third party uses or that we will prevail in enforcing our rights in all such instances. Any of these negative outcomes could impact the strength, value and effectiveness of our brand, as well as our ability to

market our products. We have also registered domain names for websites, or URLs, that we use in our business, such as gopro.com. If we are unable to protect our domain names, our brand, business, and operating results could be adversely affected. Domain names similar to ours have already been registered in the United States and elsewhere, and we may be unable to prevent third parties from acquiring and using domain names that infringe, are similar to, or otherwise decrease the value of, our brand or our trademarks. In addition, although we own gopro.com and various other global top level domains, we might not be able to, or may choose not to, acquire or maintain other country-specific versions of the domain name or other potentially similar URLs in all countries in which we currently conduct or intend to conduct business.

Litigation may be necessary to enforce our intellectual property rights. Initiating infringement proceedings against third parties can be expensive, take significant time, and divert management's attention from other business concerns. We may not prevail in litigation to enforce our intellectual property against unauthorized use.

Third parties, including competitors and non-practicing entities, have brought intellectual property infringement claims against us. We expect to continue to receive such intellectual property claims in the future. While we will defend the Company vigorously against any such existing and future legal proceedings, we may not prevail against all such allegations. For example, patent holding companies and practicing entities, including our competitors, have alleged infringement of patent or other intellectual property infringement. We may not prevail against such allegations. We may seek licenses from third parties where appropriate, but they could refuse to grant us a license or demand commercially unreasonable terms. The occurrence of any of these events may adversely affect our business, financial condition and operating results. Among other things, an adverse ruling in an intellectual property infringement proceeding could force us to suspend or permanently cease the production or sale of products/services, face a temporary or permanent injunction, redesign our products/services, rebrand our products/services, pay significant settlement costs, pay third party license fees or damage awards or give up some of our intellectual property.

If we are unable to maintain or acquire rights to include intellectual property owned by others in the content distributed by us, our marketing, sales or future business strategy could be affected or we could be subject to lawsuits relating to our use of this content.

The distribution of GoPro content helps to market our brand and our products. If we cannot continue to acquire rights to distribute user-generated content or acquire rights to use and distribute music, athlete and celebrity names and likenesses or other content for our original productions or third party entertainment distribution channels or for our software products, our marketing efforts could be diminished, our sales could be harmed and our future content strategy could be adversely affected. In addition, third-party content providers may allege that we have violated their intellectual property rights. If we are unable to obtain sufficient rights, successfully defend our use of or otherwise alter our business practices on a timely basis in response to claims of infringement, misappropriation, misuse or other violation of third-party intellectual property rights, our business may be adversely affected. As a user and distributor of content, we face potential liability for rights of publicity and privacy, as well as copyright, or trademark infringement or other claims based on the nature and content of materials that we distribute. If we are found to violate such third party rights, then our business may suffer.

If we encounter issues with our manufacturers or suppliers, our business, brand, and results of operations could be harmed and we could lose sales.

We do not have internal manufacturing capabilities and rely on several contract manufacturers, located primarily in China, to manufacture our products. We cannot be certain that we will not experience operational difficulties with our manufacturers, including reductions in the availability of production capacity, errors in complying with product specifications, insufficient quality control, failures to meet production deadlines, increases in manufacturing costs and increased lead times. Additionally, our manufacturers may experience disruptions in their manufacturing operations due to equipment breakdowns, labor strikes or shortages, natural disasters, component or material shortages, cost increases or other similar problems. Further, in order to minimize their inventory risk, our manufacturers might not order components from third-party suppliers with adequate lead time, thereby impacting our ability to meet our demand forecast. Therefore, if we fail to manage our relationship with our manufacturers effectively, or if they experience operational difficulties, our ability to ship products to our retailers and distributors could be impaired and our competitive position and reputation could be harmed.

In the event that we receive shipments of products that fail to comply with our technical specifications or that fail to conform to our quality control standards, and we are not able to obtain replacement products in a timely manner, we risk revenue losses from the inability to sell those products, increased administrative and shipping costs, and lower profitability. Additionally, if defects are not discovered until after consumers purchase our products, they could lose confidence in the technical attributes of our products and our business could be harmed.

We do not control our contract manufacturers or suppliers, including their labor, environmental or other practices. Environmental regulations or changes in the supply, demand or available sources of natural resources may affect the availability and cost of goods and services necessary to run our business. We require our contract manufacturers and suppliers to comply with our formal supplier code of conduct and relevant standards and have ongoing audit programs in place to assess our suppliers' compliance with our requirements. We periodically conduct audits of our contract manufacturers' and suppliers' compliance with our code of conduct, applicable laws and good industry practices. However, these audits may not be frequent or thorough enough to detect non-compliance. Deliberate violations of labor, environmental or other laws by our contract manufacturers or suppliers, or a failure of these parties to follow ethical business practices, could lead to negative publicity and harm our reputation or brand.

Failure to obtain new, and maintain existing, high-quality event, venue, athlete and celebrity sponsorships could harm our business.

Establishing relationships with high profile sporting and entertainment events, venues, sports leagues and sports associations, athletes and celebrity personalities to evaluate, promote and establish product credibility with consumers, including entering into sponsorship and licensing agreements, has and will continue to be a key element of our marketing strategy. However, as competition in our markets has increased, the costs of obtaining and retaining event, venue, athlete and celebrity sponsorships and licensing agreements have increased. Additionally, we may be forced to sign longer term sponsorships in order to retain relationships. If we are unable to maintain our current associations with our event, venue, athlete and celebrity partners, or to do so at a reasonable cost, we could lose the benefits of these relationships, and we may be required to modify and substantially increase our marketing investments. In addition, actions taken by endorsers of our products that harm their reputations could also harm our brand image with consumers. The failure to correctly identify high impact events and venues or build partnerships with those who develop and promote those events and venues, promising athletes or other appealing personalities to use and endorse our products, or poor performance by our endorsers, could adversely affect our brand and result in decreased sales of our products.

We could be adversely affected by violations of the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act or similar anti-bribery laws in other jurisdictions in which we operate.

The global nature of our business and the significance of our international revenue create various domestic and local regulatory challenges and subject us to risks associated with our international operations. The U.S. Foreign Corrupt Practices Act ("FCPA"), the U.K. Bribery Act 2010, or the U.K. Bribery Act, and similar anti-bribery and anti-corruption laws in other jurisdictions generally prohibit U.S.-based companies and their intermediaries from making improper payments to non-U.S. officials for the purpose of obtaining or retaining business, directing business to another, or securing an advantage. In addition, U.S. public companies are required to maintain records that accurately and fairly represent their transactions and have an adequate system of internal accounting controls. Under the FCPA, U.S. companies may be held liable for the corrupt actions taken by directors, officers, employees, agents, or other strategic or local partners or representatives. As such, if we or our intermediaries fail to comply with the requirements of the FCPA or similar legislation, governmental authorities in the United States and elsewhere could seek to impose substantial civil and/or criminal fines and penalties which could have a material adverse effect on our business, reputation, operating results and financial condition.

We operate in areas of the world that experience corruption by government officials to some degree and, in certain circumstances, compliance with anti-bribery and anti-corruption laws may conflict with local customs and practices. Our global operations require us to import and export to and from several countries, which geographically expands our compliance obligations. In addition, changes in such laws could result in increased regulatory requirements and compliance costs which could adversely affect our business, financial condition and results of operations. We cannot be assured that our employees or other agents will not engage in prohibited conduct and render us responsible under the FCPA or the U.K. Bribery Act. While we have compliance programs, they may not be effective to prevent violations from occurring and employees may engage in prohibited conduct nonetheless. If we are found to be in violation of the FCPA, the U.K. Bribery Act or other anti-bribery or anti-corruption laws (either due to acts or inadvertence of our employees, or due to the acts or inadvertence of others), we could suffer criminal or civil penalties or other sanctions, which could have a material adverse effect on our business.

We are subject to governmental export and import controls and economic sanctions laws that could subject us to liability and impair our ability to compete in international markets.

The U.S. and various foreign governments have imposed controls, export license requirements and restrictions on the import or export of some technologies. Our products are subject to U.S. export controls, and exports of our products must be made in compliance with various economic and trade sanctions laws. Furthermore, U.S. export control laws and economic sanctions prohibit the provision of products and services to countries, governments, and persons targeted by U.S. sanctions. Even though we take precautions to prevent our products from being provided to targets of U.S. sanctions, our products, including our firmware updates, could be provided to those targets or provided by our customers despite such precautions. Any such provision could have negative consequences, including government investigations, penalties and reputational harm. Our failure to obtain required import or export approval for our products could harm our international and domestic sales and adversely affect our revenue.

We could be subject to future enforcement action with respect to compliance with governmental export and import controls and economic sanctions laws that result in penalties, costs, and restrictions on export privileges that could have a material effect on our business and operating results.

Our effective tax rate and the intended tax benefits of our corporate structure and intercompany arrangements depend on the application of the tax laws of various jurisdictions and on how we operate our business.

We are subject to income taxes in the United States and various jurisdictions outside the United States. Our effective tax rate could fluctuate due to changes in the mix of earnings and losses in countries with differing statutory tax rates. For example, our effective tax rates could be adversely affected by earnings being lower than anticipated in countries where we have lower statutory rates and higher than anticipated in countries where we have higher statutory rates. Our tax expense could also be impacted by changes in non-deductible expenses, changes in excess tax benefits related to exercises and vesting of stock-based expense, and the applicability of withholding taxes.

Our future effective tax rates could be unfavorably affected by changes in the tax rates in jurisdictions where our income is earned, by changes in, or our interpretation, of tax rules and regulations in the jurisdictions in which we do business, by unanticipated decreases in the amount of earnings in countries with low statutory tax rates, or by changes in the valuation of our deferred tax assets and liabilities. The United States, the European Commission, countries in the European Union and other countries where we do business have been considering changes in relevant tax, accounting and other laws, regulations and interpretations, including changes to tax laws applicable to corporate multinationals. These potential changes could adversely affect our effective tax rates or result in other costs to us.

In addition, we are subject to the examination of our income tax returns by the U.S. Internal Revenue Service ("IRS") and other domestic and foreign tax authorities. These tax examinations are expected to focus on our intercompany transfer pricing practices as well as other matters. We regularly assess the likelihood of outcomes resulting from these examinations to determine the adequacy of our provision for income taxes and have

reserved for adjustments that may result from the current examinations. We cannot provide assurance that the final determination of any of these examinations will not have an adverse effect on our operating results and financial position.

If we are unable to maintain effective internal controls in the future, we may not be able to produce timely and accurate financial statements, which could adversely impact our investors' confidence and our stock price.

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, we are required to evaluate and determine the effectiveness of our internal controls over financial reporting, and to include a management report assessing the effectiveness of our internal control over financial reporting. We expect that the requirements of these rules and regulations will continue to increase our legal, accounting and financial compliance costs, making some activities more time consuming and costly, placing significant demands on our financial and operational resources, as well as our IT systems.

While we have determined that our internal control over financial reporting was effective as of December 31, 2016, we must continue to monitor and assess our internal control over financial reporting. Our control environment may not be sufficient to remediate or prevent future material weaknesses or significant deficiencies from occurring. A control system, no matter how well designed and operated, can provide only reasonable assurance that the control system's objectives will be met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and all instances of fraud will be detected.

If we are unable to assert that our internal control over financial reporting are effective, or if our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal control over financial reporting, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our Class A common stock could be negatively affected, and we could become subject to investigations by the stock exchange on which our securities are listed, the SEC or other regulatory authorities.

We use open source software in our platform that may subject our technology to general release or require us to re-engineer our solutions, which may cause harm to our business.

We use open source software in connection with our services. From time to time, companies that incorporate open source software into their products have faced claims challenging the ownership of open source software and/or compliance with open source license terms. Therefore, we could be subject to suits by parties claiming ownership of what we believe to be open source software or noncompliance with open source licensing terms. Some open source software licenses require users who distribute or make available open source software as part of their software to publicly disclose all or part of the source code to such software and/or make available any derivative works of the open source code on unfavorable terms or at no cost. While we monitor our use of open source software and try to ensure that none is used in a manner that would require us to disclose the source code or that would otherwise breach the terms of an open source agreement, such use could nevertheless occur and we may be required to release our proprietary source code, pay damages for breach of contract, re-engineer our applications, discontinue sales in the event re-engineering cannot be accomplished on a timely basis or take other remedial action that may divert resources away from our development efforts, any of which could adversely affect our business, financial condition or operating results.

Any significant disruption to our e-commerce business could result in lost sales.

Online sales through gopro.com represent less than 10% of our total revenue. Nonetheless, system interruptions or delays could cause potential consumers to fail to purchase our products and could harm our reputation and brand. The operation of our direct to consumer e-commerce business through gopro.com depends on the ability to maintain the efficient and uninterrupted operation of online order-taking and fulfillment operations. Our e-commerce operations subject us to certain risks that could have an adverse effect on our operating results, including risks related to the computer systems that operate our website and related support systems, such as system failures, viruses, cyberattacks, computer hackers and similar disruptions. If we or our designated third party contractors are unable to maintain and upgrade our e-commerce website or if we encounter system interruptions or delays, our operating results could be adversely impacted.

If our estimates or judgments relating to our critical accounting policies and estimates prove to be incorrect, our operating results could be adversely affected.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, as provided in this Annual Report on Form 10-K in the section titled “Management’s discussion and analysis of financial condition and results of operations.” The results of these estimates form the basis for making judgments about the carrying values of assets, liabilities and equity, and the amount of revenue and expenses that are not readily apparent from other sources. Our operating results may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our operating results to fall below the expectations of securities analysts and investors, resulting in a decline in our stock price. Significant assumptions and estimates used in preparing our consolidated financial statements include those related to revenue recognition, inventory valuation, stock-based compensation expense, warranty reserves, goodwill and acquired intangible assets, and accounting for income taxes including deferred tax assets and liabilities.

If we fail to comply with environmental regulations and conflict minerals disclosures, our business, financial condition, operating results and reputation could be adversely affected.

We are subject to various federal, state, local and international environmental laws and regulations including laws regulating the manufacture, import, use, discharge and disposal of hazardous materials, labeling and notice requirements relating to potential consumer exposure to certain chemicals, and laws relating to the collection of and recycling of electrical and electronic equipment and their packaging.

We are also subject to the SEC’s conflict minerals rule which requires disclosure by public companies of the origin, source and chain of custody of specified minerals, known as conflict minerals, that are necessary to the functionality or production of products manufactured or contracted to be manufactured. The rule requires companies to obtain sourcing data from suppliers, engage in supply chain due diligence, and file annually with the SEC a specialized disclosure report on Form SD covering the prior calendar year. The rule could limit our ability to source at competitive prices and to secure sufficient quantities of certain minerals (or derivatives thereof) used in the manufacture of our products, specifically tantalum, tin, gold and tungsten, as the number of suppliers that provide conflict-free minerals may be limited. We have and will continue to incur costs associated with complying with the rule, such as costs related to the determination of the origin, source and chain of custody of the minerals used in our products, the adoption of conflict minerals-related governance policies, processes and controls, and possible changes to products or sources of supply as a result of such activities. Within our supply chain, we may not be able to sufficiently verify the origins of the relevant minerals used in our products through the data collection and due diligence procedures that we implement, which may harm our reputation. We continue to investigate the presence of conflict materials within our supply chain.

Although we have policies and procedures in place requiring our contract manufacturers and major component suppliers to comply with applicable federal, state, local and international requirements, we cannot confirm that our manufacturers and suppliers consistently comply with these requirements. In addition, if there are changes to these or other laws (or their interpretation) or if new similar laws are passed in other jurisdictions, we may be required to re-engineer our products to use components compatible with these regulations. This re-engineering and component substitution could result in additional costs to us or disrupt our operations or logistics.

Changes in interpretation of any federal, state, local or international regulation may cause us to incur costs or have additional regulatory requirements to meet in the future in order to comply, or with any similar laws adopted in other jurisdictions. Our failure to comply with past, present and future similar laws could result in reduced sales of our products, substantial product inventory write-offs, reputational damage, penalties and other sanctions, which could harm our business and financial condition. We also expect that our products will be affected by new environmental laws and regulations on an ongoing basis. To date, our expenditures for environmental compliance have not had a material impact on our results of operations or cash flows and, although we cannot predict the future impact of such laws or regulations, they will likely result in additional costs and may increase penalties associated with violations or require us to change the content of our products or how they are manufactured, which could have a material adverse effect on our business and financial condition.

Catastrophic events or political instability could disrupt and cause harm to our business.

Our headquarters is located in the San Francisco Bay Area of California, an area susceptible to earthquakes. A major earthquake or other natural disaster, fire, act of terrorism or other catastrophic event in California or elsewhere that results in the destruction or disruption of any of our critical business operations or information technology systems could severely affect our ability to conduct normal business operations and, as a result, our future operating results could be harmed. Our key manufacturing, supply and distribution partners have global operations including in China, Hong Kong, Japan, Netherlands, Singapore and Taiwan as well as the United States. Political instability or catastrophic events in any of those countries could adversely affect our business in the future, our financial condition and operating results.

Risks related to Ownership of our Class A Common Stock

Our stock price has been and will likely continue to be volatile.

Since shares of our Class A common stock were sold in our IPO in July 2014 at a price of \$24.00 per share, our stock price has ranged from \$8.69 to \$98.47 through December 31, 2016. Our stock price may fluctuate in response to a number of events and factors, such as quarterly operating results; changes in our financial projections provided to the public or our failure to meet those projections; the public's reaction to our press releases, other public announcements and filings with the SEC; significant transactions, or new features, products or services by us or our competitors; changes in financial estimates and recommendations by securities analysts; media coverage of our business and financial performance; the operating and stock price performance of, or other developments involving, other companies that investors may deem comparable to us; trends in our industry; any significant change in our management; and general economic conditions.

In addition, the stock market in general, and the market prices for companies in our industry, have experienced volatility that often has been unrelated to operating performance. These broad market and industry fluctuations may adversely affect the price of our stock, regardless of our operating performance. Price volatility over a given period may cause the average price at which we repurchase our own stock to exceed the stock's price at a given point in time. Volatility in our stock price also impacts the value of our equity compensation, which affects our ability to recruit and retain employees. In addition, some companies that have experienced volatility in the market price of their stock have been subject to securities class action litigation. We have been the target of this type of litigation and may continue to be a target in the future. Securities litigation against us could result in substantial costs and divert our management's attention from other business concerns, which could harm our business.

If we fail to meet expectations related to future growth, profitability, or other market expectations, our stock price may decline significantly, which could have a material adverse impact on investor confidence and employee retention. A sustained decline in our stock price and market capitalization could lead to impairment charges.

The dual class structure of our common stock has the effect of concentrating voting control with our CEO.

Our Class B common stock has 10 votes per share, and our Class A common stock has one vote per share. Stockholders who hold shares of Class B common stock hold approximately 78% of the voting power of our outstanding capital stock as of December 31, 2016 with Mr. Woodman, our Chairman and CEO, holding approximately 77% of the outstanding voting power. Mr. Woodman is able to control all matters submitted to our stockholders, including the election of directors, amendments of our organizational documents and any merger, consolidation, sale of all or substantially all of our assets or other major corporate transaction. This concentrated control could delay, defer, or prevent a change of control, merger, consolidation, or sale of all or substantially all of our assets that our other stockholders support, or conversely this concentrated control could result in the consummation of such a transaction that our other stockholders do not support. This concentrated control could also discourage a potential investor from acquiring our Class A common stock due to the limited voting power of such stock relative to the Class B common stock and might harm the trading price of our Class A common stock.

If securities analysts do not publish research or publish inaccurate or unfavorable research about our business, our stock price and trading volume could decline.

The trading market for our Class A common stock depends in part on the research and reports that securities or industry analysts publish about us or our business. If one or more of the analysts who cover us downgrade our stock or publish inaccurate or unfavorable research about our business, our stock price would likely decline. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, demand for our stock could decrease, which might cause our stock price and trading volume to decline.

Delaware law and provisions in our restated certificate of incorporation and amended and restated bylaws could make a merger, tender offer or proxy contest difficult, thereby depressing the trading price of our Class A common stock.

Our status as a Delaware corporation and the anti-takeover provisions of the Delaware General Corporation Law may discourage, delay or prevent a change in control by prohibiting us from engaging in a business combination with an interested stockholder for a period of three years after the person becomes an interested stockholder, even if a change in control would be beneficial to our existing stockholders. In addition, our restated certificate of incorporation and amended and restated bylaws contain provisions that may make the acquisition of our company more difficult without the approval of our board of directors, or otherwise adversely affect the rights of the holders of our Class A and Class B common stock, including the following:

- our board of directors is not currently classified, but at such time as all shares of our Class B common stock have been converted into shares of our Class A common stock, our board of directors will be classified into three classes of directors with staggered three-year terms;
- so long as any shares of our Class B common stock are outstanding, special meetings of our stockholders may be called by the holders of 10% of the outstanding voting power of all then outstanding shares of stock, a majority of our board of directors, the chairman of our board of directors, our chief executive officer or our president,
- when no shares of our Class B common stock are outstanding, only the chairman of our board of directors, our chief executive officer, our president or a majority of our board of directors will be authorized to call a special meeting of stockholders;
- our stockholders may only take action at a meeting of stockholders and not by written consent;
- vacancies on our board of directors may be filled only by our board of directors and not by stockholders;
- directors may be removed from office with or without cause so long as our board of directors is not classified, and thereafter directors may be removed from office only for cause;
- our restated certificate of incorporation provides for a dual class common stock structure in which holders of our Class B common stock have the ability to control the outcome of matters requiring stockholder approval, even if they own significantly less than a majority of the outstanding shares of our Class A and Class B common stock, including the election of directors and significant corporate transactions, such as a merger or other sale of our company or its assets;
- our restated certificate of incorporation authorizes undesignated preferred stock, the terms of which may be established, and shares of which may be issued, by our board of directors without stockholder approval and which may contain voting, liquidation, dividend and other rights superior to those of our Class A and Class B common stock; and
- advance notice procedures apply for stockholders to nominate candidates for election as directors or to bring matters before an annual meeting of stockholders.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

As of December 31, 2016, we leased office facilities around the world totaling approximately 602,000 square feet, including approximately 311,000 square feet for our corporate headquarters in San Mateo, California. All of our properties are currently leased. We believe our existing facilities are adequate to meet our current requirements. If we were to require additional space, we believe we will be able to obtain such space on acceptable, commercially reasonable terms. See Note 11 to the Notes to Consolidated Financial Statements of this Annual Report on Form 10-K for more information about our lease commitments.

Item 3. Legal Proceedings

Shareholder class action lawsuits

Beginning on January 13, 2016, the first of four purported shareholder class action lawsuits was filed in the U.S District Court for the Northern District of California against the Company and certain of its officers (the “GoPro Defendants”). Similar complaints were filed on January 21, 2016, February 4, 2016, and February 19, 2016. Each of the complaints purports to bring suit on behalf of shareholders who purchased the Company’s publicly traded securities between July 21, 2015 and January 13, 2016 for the first three complaints and between November 26, 2014 and January 13, 2016 for the last filed complaint. Each complaint purports to allege that defendants made false and misleading statements about the Company’s business, operations and prospects in violation of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, and each seeks unspecified compensatory damages, fees and costs. On April 21, 2016, the court consolidated the complaints and appointed lead plaintiff and lead counsel for the first three actions (the “Camia Investments Class Action”); the court allowed the fourth action to proceed separately as to the period November 26, 2014 through July 20, 2015 (the “Majesty Palms Class Action”) and appointed lead plaintiff and lead counsel for that action. The lead plaintiff in the Majesty Palms Class Action did not file an amended complaint and voluntarily dismissed the Majesty Palms Class Action on July 28, 2016. On September 26, 2016, the GoPro Defendants filed a motion to dismiss the Camia Investment Class Action. That motion was heard on January 19, 2017 and is pending decision by the court.

On January 25, 2016, a purported shareholder class action lawsuit was filed in the Superior Court of the State of California, County of San Mateo, against the Company, certain of its current and former directors and executive officers and underwriters of the Company’s IPO (“Defendants”). The complaint purports to bring suit on behalf of shareholders who purchased the Company’s stock pursuant or traceable to the Registration Statement and Prospectus issued in connection with the Company’s IPO and alleges claims under Sections 11, 12(a)(2) and 15 of the Securities Act of 1933. The suit seeks unspecified damages and other relief. A similar complaint was filed on May 13, 2016, and consolidated on June 7, 2016. Defendants filed a demurrer (motion to dismiss) to the consolidated action. On July 13, 2016, the court sustained the demurrer dismissing the complaint with leave to amend the complaint. The plaintiff filed an amended complaint on October 7, 2016. Defendants filed a demurrer to the amended complaint on October 28, 2016. On December 16, 2016, the court overruled the demurrer with respect to the Section 11 and 15 claims and sustained the demurrer in part and overruled the demurrer in part with respect to the Section 12(a)(2) claim.

On November 16, 2016, a purported shareholder class action lawsuit was filed in the U.S. District Court for the Northern District of California against the Company and Mr. Woodman (“Defendants”). The complaint purports to bring suit on behalf of shareholders who purchased the Company’s publicly traded securities between September 19, 2016 and November 4, 2016. The complaint purports to allege that Defendants made false and misleading statements about the Company’s business, operations and prospects in violation of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, and seeks unspecified compensatory damages, fees and costs. On February 6, 2017, the court appointed lead plaintiff and lead counsel.

We are currently and in the future may continue to be subject to litigation, claims and assertions incidental to our business, including patent infringement litigation and product liability claims, as well as other litigation of a non-material nature in the ordinary course of business. Due to inherent uncertainties of litigation, we cannot accurately predict the ultimate outcome of these matters. We are unable at this time to determine whether the outcome of the litigation would have a material impact on our business, financial condition, results of operations or cash flows.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for the Company’s Common Shares, Related Shareholder Matters and Issuer Purchases of Equity Securities

The following table sets forth the high and low closing sale price per share of our Class A common stock, as reported on the NASDAQ for the periods indicated:

	2016		2015	
	High	Low	High	Low
First Quarter	\$ 18.69	\$ 9.78	\$ 66.87	\$ 37.95
Second Quarter	\$ 13.98	\$ 8.80	\$ 59.41	\$ 40.89
Third Quarter	\$ 17.15	\$ 10.59	\$ 64.74	\$ 29.67
Fourth Quarter	\$ 17.13	\$ 8.69	\$ 30.65	\$ 16.89

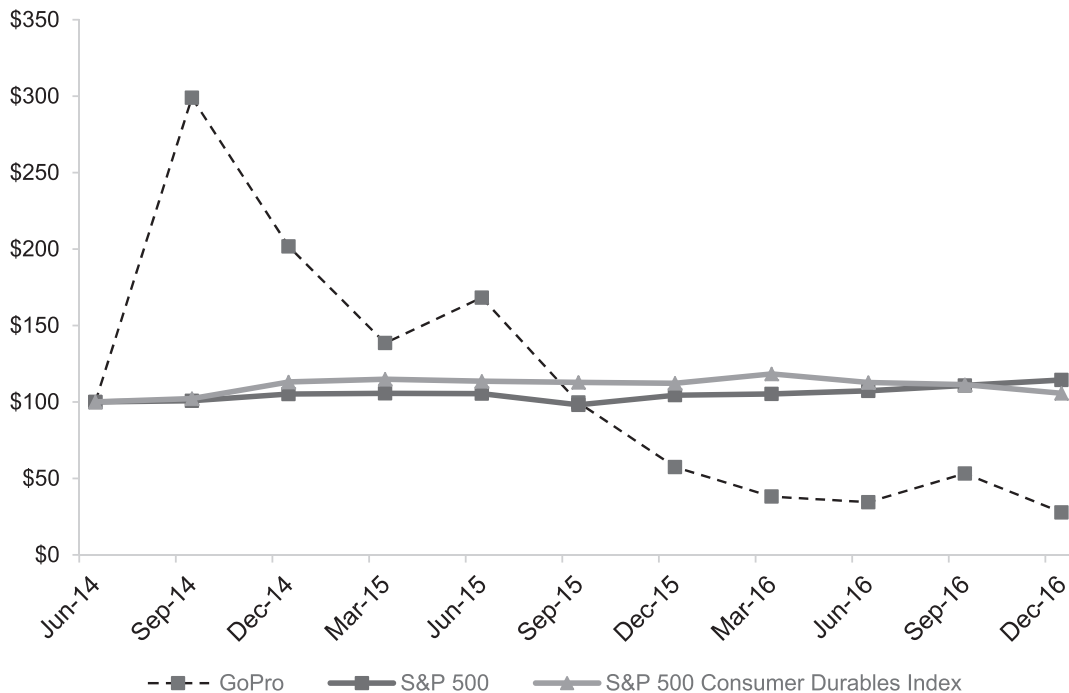
Holders. As of January 31, 2017, there were 97 holders of record of our Class A common stock and 51 holders of record of our Class B common stock.

Dividends. We have not declared or paid any cash dividends on our capital stock and do not currently intend to pay any cash dividends on our Class A or Class B common stock in the foreseeable future.

Securities authorized for issuance under equity compensation plans. The information required by this item will be included in an amendment to this Annual Report on Form 10-K or incorporated by reference from our Proxy Statement to be filed with the SEC for our 2017 Annual Meeting of Stockholders within 120 days after the end of our fiscal year ended December 31, 2016.

Performance graph. The graph below compares the cumulative total return on our Class A common stock with that of the S&P 500 Index and the S&P 500 Consumer Durables Index. The graph assumes \$100 was invested (with reinvestment of all dividends, as applicable) at the close of market on June 26, 2014 in the Class A common stock of GoPro, Inc., the S&P 500 Index and the S&P 500 Consumer Durables Index, and its relative performance is tracked through December 31, 2016. Note that historic stock price performance is not intended to be indicative of future stock price performance.

**Comparison of 30 month cumulative total return
Among GoPro, Inc., S&P 500 Index and S&P 500 Consumer Durable Index**



Sales of unregistered securities. Not applicable.

Use of proceeds. On June 25, 2014, the SEC declared our registration statement on Form S-1 (File No. 333-196083) effective for our IPO. On November 19, 2014, the SEC declared our registration statement on Form S-1 (File No. 333-200038) effective for our follow-on offering. There has been no material change in the planned use of proceeds from our initial public offering or our follow-on offering as described in our final prospectus filed with the SEC on June 26, 2014 and November 17, 2014, respectively.

Issuer purchases of equity securities. No shares of our Class A or Class B common stock were purchased during 2016. Our share repurchase program expired on September 30, 2016.

Item 6. Selected Consolidated Financial Data

The information set forth below for the five years ended December 31, 2016 is not necessarily indicative of results of future operations, and should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the consolidated financial statements, related notes and other financial information included elsewhere in this Annual Report on Form 10-K.

(in thousands, except per share amounts)	Year ended December 31,				
	2016	2015	2014	2013	2012
Consolidated statements of operations data:					
Revenue	\$ 1,185,481	\$ 1,619,971	\$ 1,394,205	\$ 985,737	\$ 526,016
Gross profit	\$ 461,920	\$ 673,214	\$ 627,235	\$ 361,784	\$ 227,486
Gross margin	39.0%	41.6%	45.0%	36.7%	43.2%
Operating income (loss)	\$ (372,969)	\$ 54,748	\$ 187,035	\$ 98,703	\$ 53,617
Net income (loss)	\$ (419,003)	\$ 36,131	\$ 128,088	\$ 60,578	\$ 32,262
Net income (loss) per share:					
Basic	\$ (3.01)	\$ 0.27	\$ 1.07	\$ 0.54	\$ 0.07
Diluted	\$ (3.01)	\$ 0.25	\$ 0.92	\$ 0.47	\$ 0.07
Other financial information:					
Adjusted EBITDA ⁽¹⁾	\$ (192,807)	\$ 179,309	\$ 293,380	\$ 133,726	\$ 75,288
Non-GAAP net income (loss) ⁽²⁾	\$ (201,247)	\$ 111,564	\$ 188,913	\$ 68,826	—
Non-GAAP diluted earnings (loss) per share ⁽²⁾	\$ (1.44)	\$ 0.76	\$ 1.32	\$ 0.50	—

⁽¹⁾ We define adjusted EBITDA as net income (loss) adjusted to exclude the impact of: provision for income taxes, interest income, interest expense, depreciation and amortization, POP display amortization, stock-based compensation, impairment charges and restructuring costs.

⁽²⁾ We define non-GAAP net income as net income (loss) adjusted to exclude stock-based compensation, acquisition-related costs, restructuring costs and taxes related to the tax effect of these adjustments. Acquisition-related costs include the amortization of acquired intangible assets and impairment write-downs (if applicable), as well as third-party transaction costs for legal and other professional services. Non-GAAP earnings per share considers the conversion of the redeemable convertible preferred stock into shares of common stock as though the conversion had occurred at the beginning of the period and the initial public offering shares issued July 2014 as if they had been outstanding since the beginning of the period.

See “Non-GAAP Financial Measures” in Item 7. MD&A below for additional information and a reconciliation of net income (loss) to Adjusted EBITDA and net income (loss) to non-GAAP net income (loss), and a reconciliation of the shares used in the calculation of non-GAAP diluted earnings per share.

(in thousands)	As of December 31,				
	2016	2015	2014	2013	2012
Consolidated balance sheet data:					
Cash, cash equivalents and marketable securities	\$ 217,953	\$ 474,058	\$ 422,256	\$ 101,410	\$ 36,485
Inventory	167,192	188,232	153,026	111,994	60,412
Working capital	157,074	538,066	564,274	57,446	69,618
Total assets	922,640	1,102,976	917,691	439,671	246,665
Total indebtedness	—	—	—	113,612	129,395
Redeemable convertible preferred stock	—	—	—	77,198	77,138
Total stockholders’ equity (deficit)	446,945	772,033	641,204	(5,366)	(79,741)

GoPro, Inc.
Management's Discussion and Analysis of Financial Condition and Results of Operations

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A)

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements, related notes and other financial information appearing elsewhere in this Annual Report on Form 10-K. In addition to historical consolidated financial information, the following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements as a result of a variety of factors, including but not limited to, those discussed in "Risk Factors" and elsewhere in this Annual Report on Form 10-K. Our MD&A is organized as follows:

- **Overview.** Discussion of our business and overall analysis of financial and other highlights affecting the Company in order to provide context for the remainder of MD&A.
- **Components of Our Results of Operations.** Description of the items contained in each operating revenue and expense caption in the consolidated statements of operations.
- **Results of Operations.** Analysis of our financial results comparing 2016 to 2015 and 2015 to 2014.
- **Liquidity and Capital Resources.** Analysis of changes in our balance sheets and cash flows, and discussion of our financial condition and potential sources of liquidity.
- **Contractual Commitments.** Overview of contractual obligations, including expected payment schedule, off-balance sheet arrangements and indemnifications as of December 31, 2016.
- **Critical Accounting Policies and Estimates.** Accounting estimates that we believe are most important to understanding the assumptions and judgments incorporated in our reported financial results and forecasts.
- **Non-GAAP Financial Measures.** A presentation of results reconciling GAAP to non-GAAP adjusted measures.

Overview

GoPro, Inc. is enabling the way people capture and share their lives from a perspective only achieved with a GoPro. We are committed to developing solutions that create an easy, seamless experience for consumers to capture, create and enjoy engaging personal content. To date, our cameras and mountable and wearable accessories have generated substantially all of our revenue. We sell our products globally through retailers, wholesale distributors, and on our website.

In Fall 2016, we launched our all-new cloud connected HERO5 cameras, which began shipping in September 2016, and a new ecosystem of mountable, wearable and voice activated accessories. We offer many professional-grade features within our good-better-best product camera offering of HERO Session, HERO5 Session and HERO5 Black. Our HERO5 cameras feature voice control and can automatically upload photos and videos to GoPro Plus, a new cloud-based storage solution that enables subscribers to easily access, edit and share content. Complementing our new HERO5 cameras and GoPro Plus, we also released updated versions of our Quik mobile and desktop applications and rebranded the GoPro mobile app as Capture. We re-launched our first drone, Karma, in the first quarter of 2017. See "Item 1. Business" above for additional information regarding our products.

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The following is a summary of measures presented in our consolidated financial statements and key metrics used to evaluate our business, measure our performance, develop financial forecasts and make strategic decisions.

(units and dollars in thousands, except per share amounts)	Q4 2016	Q4 2015	FY 2016	FY 2015
Revenue	\$ 540,621	\$ 436,603	\$ 1,185,481	\$ 1,619,971
Units shipped ⁽¹⁾	2,284	2,002	4,762	6,584
Gross margin ⁽²⁾	39.2%	29.4%	39.0%	41.6%
Operating expenses	\$ 238,703	\$ 169,805	\$ 834,889	\$ 618,466
Operating income (loss)	\$ (26,568)	\$ (41,294)	\$ (372,969)	\$ 54,748
Net income (loss)	\$ (115,709)	\$ (34,451)	\$ (419,003)	\$ 36,131
Diluted net income (loss) per share	\$ (0.82)	\$ (0.25)	\$ (3.01)	\$ 0.25
Cash provided by (used in) operations	\$ 12,696	\$ 20,848	\$ (107,753)	\$ 157,611

Other financial information:

Adjusted EBITDA ⁽³⁾	\$ 44,343	\$ (9,268)	\$ (192,807)	\$ 179,309
Non-GAAP net income (loss) ⁽⁴⁾	\$ 42,367	\$ (11,396)	\$ (201,247)	\$ 111,564
Non-GAAP earnings (loss) per share	\$ 0.29	\$ (0.08)	\$ (1.44)	\$ 0.76

⁽¹⁾ Represents the number of individually packaged camera units that are shipped during a reporting period, net of any returns. Units shipped does not include sales of mounts or accessories.

⁽²⁾ One basis point (bps) is equal to 1/100th of 1%.

⁽³⁾ We define adjusted EBITDA as net income (loss) adjusted to exclude the impact of: provision for income taxes, interest income, interest expense, depreciation and amortization, POP display amortization, stock-based compensation, impairment charges and restructuring costs.

⁽⁴⁾ We define non-GAAP net income (loss) as net income (loss) adjusted to exclude stock-based compensation, acquisition-related costs, restructuring costs and taxes related to the income tax effect of these adjustments. Acquisition-related costs include amortization and impairment write-downs (if applicable) of acquired intangible assets, as well as third-party transaction costs for legal and other professional services.

Reconciliations of non-GAAP adjusted measures to the most directly comparable measures are presented under "Non-GAAP Financial Measures" below.

Full year and fourth quarter 2016 highlights

For the fourth quarter of 2016, we achieved revenue of \$540.6 million, up 24% year-over-year, the second highest revenue quarter in our history. Year-over-year growth was attributable to a 14% increase in units shipped to 2.3 million, driven by the launch of our new HERO5 cameras prior to the 2016 holiday shopping season, and a 9% increase in average selling price (defined as total revenue divided by units shipped). We estimate that overall global channel unit sell-in exceeded sell-through for the fourth quarter. Units shipped included 0.2 million of previously discontinued cameras, which mostly sold through during the fourth quarter. Excluding the impact of these discontinued cameras, average selling price would have been up about 17% year-over-year. Comparing launch periods, units shipped of HERO5 cameras in the fourth quarter of 2016 were approximately 10% higher than units shipped of HERO4 cameras in the fourth quarter of 2014. However, total revenue for the fourth quarter of 2016 was lower than we expected due to the unexpected withdrawal of our Karma drone in November 2016 as well as early production issues related to our HERO5 Black cameras that compromised initial launch volumes. Based on retail price points, our \$399 and above cameras accounted for more than 50% of the units shipped and revenue in the fourth quarter with consumers having a strong preference for our flagship HERO5 Black camera.

Full year 2016 revenue of \$1.19 billion was down 27% year-over-year, reflecting estimated global channel unit sell-through that exceeded sell-in for each of the first three quarters of 2016 as we worked to reduce channel inventory before the launch of HERO5. We estimate that global channel unit sell-through exceeded sell-in by over 10% in 2016. At December 31, 2016, we believe the vast majority of channel inventory consisted of new products and estimated weeks of inventory were down year-over-year. The average selling price for full year

GoPro, Inc.
Management's Discussion and Analysis of Financial Condition and Results of Operations

2016 was approximately flat as compared to the prior year. We have not experienced any notable pricing pressures in the average selling price of individual camera models shipped during 2016. See "Revenue" below.

Gross margin of approximately 39% for both the fourth quarter and full year 2016 reflected a shift to a good-better-best offering of HERO Session, HERO5 Session and HERO5 Black cameras. Gross margin in 2016 was lower than historical levels due primarily to an increase in our average cost per unit shipped, reflecting the enhanced functionality and better capability of our new HERO5 cameras when compared with prior generation offerings. Gross margin in 2015 was negatively impacted by product alignment charges of \$57 million related to our decision to discontinue the production of entry-level HERO cameras. See "Gross Margin" below.

The year-over-year growth in operating expenses of \$68.9 million and \$216.4 million in the fourth quarter and full year 2016, respectively, compared to the corresponding periods in 2015 was primarily attributable to: (1) restructuring charges of \$36.4 million and \$42.6 million, respectively, (2) higher cash-based personnel-related expenses of approximately \$13.2 million and \$63.0 million, respectively, driven by a 25% growth in average global headcount during 2016, and (3) higher advertising and promotional activity costs of \$16.9 million and \$58.5 million, respectively. In the first and fourth quarters of 2016, we implemented global reductions-in-force and other restructuring actions to reduce our future operating expenses. See "Operating Expenses" and "Restructuring Costs" below.

GAAP net loss of \$115.7 million, or \$0.82 loss per share, and \$419.0 million, or \$3.01 loss per share, for the fourth quarter and full year 2016, respectively, included charges of approximately \$102 million for an income tax related valuation allowance on U.S. deferred tax assets. For the fourth quarter of 2016, we achieved non-GAAP net income of \$42.4 million, or \$0.29 per share, and adjusted EBITDA of \$44.3 million, our first profitable quarter on a non-GAAP basis since the third quarter of 2015.

We generated cash flows from operations of \$12.7 million in the fourth quarter of 2016 due to increased revenues associated with the 2016 holiday season that were mostly offset by increased operating expenses. We ended the year with total cash and investments of \$218.0 million, down 54.0% from a year ago. For full year 2016, we used cash flows in operations of \$107.8 million, purchased \$43.6 million of property and equipment and completed acquisitions of two mobile editing application companies in the first half of 2016 for total purchase consideration of \$104.4 million. In March 2016, we entered into a credit agreement with a syndicate of banks that provides for a secured revolving credit facility under which we may borrow up to approximately \$150 million as of December 31, 2016. No borrowings have been made from the credit facility to date.

See "Results of Operations" and "Liquidity and Financial Resources" below for additional information.

Looking ahead to 2017

We expect our revenue in the first quarter of 2017 to be approximately \$190 million to \$210 million, a year-over-year increase compared to the first quarter of 2016. Average selling price in 2017 is expected to increase slightly as compared to 2016. Gross margin will fluctuate in future periods based on product, distributor and geographical mix and volume. We have adjusted our long-term gross margin model from a range of 42% to 44% to a range of 39% to 41%. As a result of our restructuring and other cost saving initiatives, we expect total operating expenses for the first quarter of 2017 will be significantly lower than the first quarter of 2016 and we expect total operating expenses for full year 2017 to be reduced by more than \$100 million compared to full year 2016, on both a GAAP and non-GAAP basis. As we work toward achieving non-GAAP profitability in 2017, we expect to implement further cost saving initiatives, including additional restructuring actions, as part of our continued efforts to streamline our operations and focus our resources. We may incur material charges as a result of these initiatives.

Factors affecting performance

We believe that our future success will be dependent on many factors, including those further discussed below. While these areas represent opportunities for us, they also represent challenges and risks that we must successfully address in order to continue the growth of our business and improve our results of operations.

GoPro, Inc.
Management's Discussion and Analysis of Financial Condition and Results of Operations

Driving profitability through improved efficiency, lower costs and better execution. We incurred material operating losses in 2016 and our future success will depend in part upon our ability to manage our operating expenses effectively. In the fourth quarter of 2016, we implemented a company-wide restructuring of our business resulting in a global reduction-in-force, the elimination of several high-cost initiatives, including the closure of our entertainment group in order to focus our resources on our hardware and software integrated storytelling solution, and the consolidation of certain leased office facilities (see "Restructuring Costs" below). As noted above in "Looking ahead to 2017," we believe the actions we have taken will significantly reduce our operating expenses in 2017, while also providing a flatter, more efficient global organization that will allow for improved communication and alignment among our functional teams. For 2017 and beyond, we plan to operate efficiently and manage our costs effectively, which we expect will include implementing additional cost saving initiatives and restructuring actions, while continuing to invest in those areas that we believe will grow revenue. If we are unable to generate adequate revenue growth and to manage our expenses, we may continue to incur significant losses in the future and may not be able to achieve or maintain profitability.

Investing in research and development and making the smartphone central to the GoPro experience. Our performance is significantly dependent on the investments we make in research and development, including our ability to attract and retain highly skilled and experienced research and development personnel. We expect the timing of new product releases to continue to have a significant impact on our revenue and must continually develop and introduce innovative new cameras, mobile and desktop applications, and other new products and services. We plan to build upon our integrated storytelling solution in future periods, with the smartphone playing an even more central role in the GoPro experience. Our investments in this solution, including marketing and advertising expenses, may not successfully drive increased sales of our products and our users may not adopt our new offerings. If we fail to innovate and enhance our product offerings, our brand, market position and revenue will be adversely affected. Further, we have incurred substantial research and development expenses and if our efforts are not successful, we will not recover the value of these investments.

Marketing the improved GoPro experience to our extended community. We intend to continue investing resources in our marketing, advertising and brand management efforts. Historically, our growth has largely been fueled by the adoption of our products by people looking to self-capture images of themselves participating in exciting physical activities. Our future growth depends on continuing to reach, expand and re-engage with this core demographic as well as grow it, and also to continue expanding our user base to include a broader group of consumers. We still believe that consumers in many markets are not familiar with our brand and products and believe there is a significant opportunity for GoPro to expand awareness through a range of advertising and promotional programs and campaigns, including social media. Sales and marketing investments will often occur in advance of any sales benefits from these activities, and it may be difficult for us to determine if we are efficiently allocating our resources in this area.

Growing our total addressable international market. We believe that international markets represent a significant growth opportunity for GoPro. Revenue from outside the United States comprised 53%, 52% and 43% of our revenue in 2016, 2015 and 2014, respectively. While the total market for digital cameras has declined in recent periods as smartphone and tablet camera quality has increased, we continue to believe our consumers' differentiated use of GoPro cameras, our hardware and software ecosystem and our powerful brand helps insulate our business from many of the negative trends facing this category. However, we expect the markets in which we conduct our business will remain highly competitive. We plan to increase our presence globally through the active promotion of our brand, the creation and cultivation of regional strategic and marketing partnerships, the introduction of localized products in international markets with region specific marketing, and an investment focus on the biggest opportunities in Europe and the Asia-Pacific region.

Expanding the GoPro experience to advanced users. Our growth also depends on expanding our total addressable market with new capture perspectives, including aerial and spherical, which are resource-intensive initiatives in highly competitive markets. We have no prior experience in the consumer drone market and expect to face significant competition from incumbent companies promoting their own drone and related products. If we are not successful in penetrating additional markets, we might not be able to grow our revenue and we may not recognize benefits from our investment in new areas.

GoPro, Inc.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Seasonality. Historically, we have experienced the highest levels of revenue in the fourth quarter of the year, coinciding with the holiday shopping season, particularly in the United States and Europe. Timely and effective product introductions and forecasting, whether just prior to the holiday season or otherwise, are critical to our operations and financial performance.

Refer to "Item 1. Business" above for additional information regarding our business strategy.

Components of our Results of Operations

Revenue. Our revenue is primarily comprised of product revenue, net of returns and sales incentives. Revenue is derived from the sale of our cameras and accessories directly to retailers, as well as through our network of domestic and international distributors, and through gopro.com. See "Critical Accounting Policies and Estimates" below and Note 1 to the consolidated financial statements for information regarding revenue recognition.

Cost of revenue. Our cost of revenue primarily consists of product costs, including costs of contract manufacturing for production, third-party logistics and procurement costs, warranty repair costs, tooling equipment depreciation, excess and obsolete inventory write-downs, amortization of acquired developed technology, and certain allocated costs related to manufacturing management, facilities, and personnel-related expenses.

Operating expenses. We classify our operating expenses into three categories: research and development, sales and marketing, and general and administrative.

Research and development. Our research and development expense consists primarily of personnel-related costs, including salaries, stock-based compensation and employee benefits. Research and development expense also includes consulting and outside professional services costs, materials, depreciation and other supporting overhead expenses associated with the development of our product and service offerings, as well as the amortization of certain acquired intangible assets. All research and development costs are expensed as incurred.

Sales and marketing. Our sales and marketing expense consists primarily of advertising and marketing promotions of our products and services and personnel-related costs, including salaries, stock-based compensation and employee benefits. Sales and marketing expense also includes POP display expenses and related amortization, sales commissions, trade show and event costs, sponsorship costs, consulting and contractor expenses, and allocated overhead costs.

General and administrative. Our general and administrative expense consists primarily of personnel-related costs, including salaries, stock-based compensation and employee benefits for our finance, legal, human resources, information technology, and administrative personnel. The expense also includes professional service costs related to accounting, tax, legal services, and allocated facilities, depreciation, and other supporting overhead expenses.

GoPro, Inc.
Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

The following table sets forth the components of our consolidated statements of operations for each of the periods presented and each of the periods presented as a percentage of revenue:

(dollars in thousands)	Year ended December 31,					
	2016		2015		2014	
Revenue	\$ 1,185,481	100%	\$ 1,619,971	100%	\$ 1,394,205	100%
Cost of revenue	723,561	61	946,757	58	766,970	55
Gross profit	461,920	39	673,214	42	627,235	45
Operating expenses:						
Research and development	358,902	30	241,694	15	151,852	11
Sales and marketing	368,620	31	268,939	17	194,377	14
General and administrative	107,367	9	107,833	7	93,971	7
Total operating expenses	834,889	70	618,466	38	440,200	32
Operating income (loss)	(372,969)	(31)	54,748	3	187,035	13
Other expense, net	(2,205)	—	(2,163)	—	(6,060)	—
Income (loss) before income taxes	(375,174)	(31)	52,585	3	180,975	13
Income tax expense	43,829	4	16,454	1	52,887	4
Net income (loss)	\$ (419,003)	(35)%	\$ 36,131	2%	\$ 128,088	9%

Revenue

(in thousands)	Year ended December 31,			2016 vs 2015 % Change	2015 vs 2014 % Change
	2016	2015	2014		
Units shipped	4,762	6,584	5,180	(28)%	27%
Direct channel	\$ 650,111	\$ 841,882	\$ 818,381	(23)%	3%
<i>Percentage of revenue</i>	54.8%	52.0%	58.7%		
Distribution channel	\$ 535,370	\$ 778,089	\$ 575,824	(31)%	35%
<i>Percentage of revenue</i>	45.2%	48.0%	41.3%		
Total revenue	\$ 1,185,481	\$ 1,619,971	\$ 1,394,205	(27)%	16%
Americas	\$ 619,784	\$ 868,772	\$ 890,352	(29)%	(2)%
<i>Percentage of revenue</i>	52.3%	53.6%	63.9%		
Europe, Middle East and Africa ("EMEA")	\$ 366,352	\$ 535,260	\$ 371,197	(32)%	44%
<i>Percentage of revenue</i>	30.9%	33.0%	26.6%		
Asia and Pacific ("APAC")	\$ 199,345	\$ 215,939	\$ 132,656	(8)%	63%
<i>Percentage of revenue</i>	16.8%	13.4%	9.5%		
Total revenue	\$ 1,185,481	\$ 1,619,971	\$ 1,394,205	(27)%	16%

2016 Compared to 2015. The year-over-year decline in total revenues during 2016 compared to 2015 was due to a 28% decrease in units shipped, reflecting global channel unit sell-through that exceeded sell-in for the first three quarters of 2016 as we worked to reduce channel inventory in preparation for the launch of HERO5 in September 2016. In addition, our revenue in the first half of 2015 benefited from the launch of our HERO4 cameras preceding the 2014 holiday season, whereas there was no major product introduction near the end of 2015. Revenue increased sequentially each quarter of 2016, with the fourth quarter comprising 46% of total

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2016 revenue, reflecting the launch of HERO5 cameras and new mounts and accessories preceding the holiday shopping season. The average selling price of units shipped, defined as total revenue divided by unit shipments, increased 1% year-over-year. We recognized no revenue in 2016 for our Karma drone.

2015 Compared to 2014. The year-over-year growth in revenues and units shipped during 2015 compared to 2014 was primarily driven by the transition from our prior generation products to the HERO4 line of cameras, including HERO4 Session, and the entry-level HERO cameras. The year-over-year increase in the EMEA and APAC regions resulted from the continued expansion of our business and distribution networks in international markets. The year-over-year decrease in the Americas region resulted primarily from the launch of new products in 2014 just prior to the holiday shopping season, which were initially shipped to this region. The average selling price of units shipped, defined as total revenue divided by unit shipments, decreased approximately 9% in 2015 due primarily to a slight change in product mix toward the entry-level HERO cameras, as well as increased charges of approximately \$73 million for price protection and marketing development funds, of which approximately \$40 million related to reductions of the HERO4 Session selling price.

Gross margin

(dollars in thousands)	Year ended December 31,			2016 vs 2015 % Change	2015 vs 2014 % Change
	2016	2015	2014		
Cost of revenue	\$ 719,689	\$ 944,304	\$ 765,247	(24)%	23%
Stock-based compensation	1,616	1,492	835	8 %	79%
Acquisition-related costs	1,759	961	888	83 %	8%
Restructuring costs	497	—	—	N/A	N/A
Total cost of revenue	<u>\$ 723,561</u>	<u>\$ 946,757</u>	<u>\$ 766,970</u>	(24)%	23%
<i>Gross margin</i>	<i>39.0%</i>	<i>41.6%</i>	<i>45.0%</i>	<i>(260) bps</i>	<i>(340) bps</i>

2016 Compared to 2015. Gross margin of 39.0% in 2016 decreased from 41.6% in 2015, or 260 bps. Gross margin in 2016 reflected an increase in our average cost per unit shipped, which was primarily attributable to the enhanced functionality and improved capability of our new HERO5 cameras (including image stabilization, telemetry, cloud connectivity and voice control) when compared with prior generation offerings, as well as the allocation of fixed overhead costs across significantly fewer units shipped in 2016. This resulted in a 610 bps decrease in gross margin when compared to 2015.

In addition, gross margin for 2015 and 2016 was negatively impacted by product charges of approximately \$57 million and \$8 million, respectively, for excess purchase order commitments, excess inventory and other charges related to end-of-life HERO legacy products. Partially offsetting these charges, gross margin for 2016 benefited from sales of approximately \$18 million associated with previously written off legacy camera inventory. The net year-over-year effect of these legacy items was a benefit to gross margin of approximately 350 bps. The year-over-year effect of stock-based compensation, acquisition-related costs and restructuring costs on gross margin was not material.

As noted above in "Looking Ahead", we have adjusted our long-term gross margin model from a range of 42% to 44% to a range of 39% to 41%.

2015 Compared to 2014. Gross margin decreased by 340 bps compared with 2014. The year-over-year decrease in gross margin was primarily attributable to a 350 bps charge for product realignment costs of approximately \$57 million in the fourth quarter of 2015 for excess purchase commitments, inventory and obsolete tooling assets. In addition, gross margin decreased due to a shift in product mix toward lower margin entry-level HERO capture devices partially offset by continued improvements in production and supply chain costs. The year-over-year effect of stock-based compensation and acquisition-related costs on gross margin was insignificant.

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Operating expenses

Research and development

(dollars in thousands)	Year ended December 31,			2016 vs 2015 % Change	2015 vs 2014 % Change
	2016	2015	2014		
Research and development	\$ 295,901	\$ 220,516	\$ 140,109	34%	57%
Stock-based compensation	31,365	18,024	11,640	74%	55%
Acquisition-related costs	14,439	3,154	103	358%	2,962%
Restructuring costs	17,197	—	—	N/A	N/A
Total research and development expenses	<u>\$ 358,902</u>	<u>\$ 241,694</u>	<u>\$ 151,852</u>	48%	59%
<i>Percentage of revenue</i>	30.3%	14.9%	10.9%		

2016 Compared to 2015. The year-over-year growth of \$117.2 million, or 48%, in total research and development expenses in 2016 compared to 2015 was primarily attributable to increases in cash-based personnel-related costs of \$45.8 million (excluding restructuring charges) driven by 35% growth in average global headcount during 2016, increases in allocated facilities, depreciation and other supporting overhead expenses of \$19.3 million and increases in material and equipment costs of \$11.5 million. In addition, stock-based compensation increased \$13.3 million in 2016 due to higher employee headcount. Acquisition-related costs increased \$11.3 million in 2016 due to intangible asset impairment charges of approximately \$7 million related to projects that were discontinued in the second half of 2016, as well as increased amortization associated with two acquisitions completed during the first half of 2016. See "Restructuring Costs" below for information regarding restructuring charges of \$17.2 million recorded in 2016.

The growth in research and development expense in absolute dollars, and as a percentage of revenue, was primarily driven by investments (including increased headcount) to support the development of our recently launched cameras, drone, related mounts and accessories and software offerings.

2015 Compared to 2014. The year-over-year growth of \$89.8 million in research and development expense in 2015 compared to 2014 was primarily attributable to increases in cash-based personnel-related costs of \$35.8 million, resulting from a 63% growth in global headcount from December 31, 2014 to December 31, 2015, as well as increases in consulting and outside professional service costs of \$27.1 million and increases in materials, depreciation, and other supporting overhead expenses of \$16.4 million. Stock-based compensation increased \$6.4 million in 2015 due to higher employee headcount. Acquisition-related costs increased \$3.1 million from intangible asset amortization associated with acquisitions completed during 2015. The growth in research and development expense in absolute terms, and as a percentage of revenue, was primarily driven by investments to support the development of our next generation capture devices, drone-related products, content-management software solutions, and entertainment related initiatives.

Sales and marketing

(dollars in thousands)	Year ended December 31,			2016 vs 2015 % Change	2015 vs 2014 % Change
	2016	2015	2014		
Sales and marketing	\$ 342,651	\$ 255,045	\$ 183,807	34 %	39 %
Stock-based compensation	13,883	13,762	10,428	1 %	32 %
Acquisition-related costs	22	132	142	(83)%	(7)%
Restructuring costs	12,064	—	—	N/A	N/A
Total sales and marketing expenses	<u>\$ 368,620</u>	<u>\$ 268,939</u>	<u>\$ 194,377</u>	37 %	38 %
<i>Percentage of revenue</i>	31.1%	16.6%	13.9%		

2016 Compared to 2015. The year-over-year growth of \$99.7 million, or 37%, in total sales and marketing expenses in 2016 compared to 2015 was primarily attributable to increases in advertising and promotional activity costs of \$58.5 million associated with expanded corporate branding campaigns to improve worldwide

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brand awareness and to support the launch of our HERO5 cameras, Karma drone and related products. Additionally, the year-over-year growth in 2016 was attributable to increases in allocated facilities, depreciation and other supporting overhead expenses of \$10.2 million and increases in cash-based personnel-related costs (excluding restructuring costs) of \$11.4 million, driven by 16% growth in average global headcount during 2016. See "Restructuring Costs" below for information regarding restructuring charges of \$12.1 million recorded in 2016.

2015 Compared to 2014. The year-over-year growth of \$74.6 million in sales and marketing expense in 2015 compared to 2014 was primarily attributable to increases in advertising and promotional activity costs of \$30.8 million associated with expanded corporate branding campaigns initiated in the second half of 2015, as well as increases in cash-based personnel-related costs of \$24.4 million, resulting from a 67% growth in global headcount from December 31, 2014 to December 31, 2015, increases in allocated facilities, depreciation and other supporting overhead expenses of \$7.5 million and increases in consulting and outside professional service costs of \$6.2 million. Stock-based compensation increased \$3.3 million in 2015 due to higher employee headcount.

General and administrative

(dollars in thousands)	Year ended December 31,			2016 vs 2015 % Change	2015 vs 2014 % Change
	2016	2015	2014		
General and administrative	\$ 70,247	\$ 59,308	\$ 45,475	18 %	30 %
Stock-based compensation	22,663	47,402	48,496	(52)%	(2)%
Acquisition-related costs	1,126	1,123	—	— %	N/A
Restructuring costs	13,331	—	—	N/A	N/A
Total general and administrative expenses	\$ 107,367	\$ 107,833	\$ 93,971	— %	15 %
<i>Percentage of revenue</i>	9.1%	6.7%	6.7%		

2016 Compared to 2015. General and administrative expenses were approximately flat year-over-year. Stock-based compensation decreased \$17.3 million in 2016 compared to 2015 due to the timing of expense recognition attributable to the CEO RSUs (see Note 7 to the Notes to Consolidated Financial Statements of this Annual Report on Form 10-K), which was partially offset by restructuring charges in 2016 of \$13.3 million, as well as increases in consulting and outside professional service costs of \$3.7 million, and increases in allocated facilities, depreciation and other supporting overhead expenses of \$3.2 million. Cash-based personnel-related costs, excluding restructuring costs, were approximately flat year-over-year. See "Restructuring Costs" below for information regarding restructuring charges recorded in 2016.

2015 Compared to 2014. The year-over-year growth of \$13.9 million in general and administrative expense in 2015 compared to 2014 was primarily attributable to increases in consulting and outside professional service costs of \$5.9 million, as well as an increase in cash-based personnel-related costs of \$5.5 million resulting from a 41% growth in global headcount from December 31, 2014 to December 31, 2015 and increases in allocated facilities, depreciation and other supporting overhead expenses of \$2.3 million. Stock-based compensation expenses decreased \$1.1 million in 2015 due to a decrease in expense attributable to CEO RSUs of \$9.0 million, partially offset by increases of \$7.9 million for long-term incentive awards. (See Note 7 to the Notes to Consolidated Financial Statements of this Annual Report on Form 10-K.) Acquisition-related costs increased \$1.1 million due to increased acquisition activity in 2015.

Restructuring costs

First quarter 2016 restructuring. On January 12, 2016, we approved a restructuring that provided for a reduction in our global workforce of approximately 7%. We incurred aggregate restructuring expenses of \$6.5 million in the first quarter of 2016, which primarily included cash-based severance costs. We substantially completed this plan at the end of the first quarter of 2016 and all costs have been paid.

Fourth quarter 2016 restructuring. On November 29, 2016, we announced a restructuring of our business to reduce operating expenses and work toward achieving our goal of returning to non-GAAP profitability for 2017.

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The restructuring included a reduction in our global workforce of approximately 15%, the closure of our entertainment group and the consolidation of certain leased office facilities. In the fourth quarter of 2016, we incurred total restructuring charges of \$36.6 million, which consisted of \$18.9 million for severance and related costs, \$15.6 million for stock-based compensation and \$2.1 million for facilities consolidation and other costs. At December 31, 2016, accrued severance costs on our consolidated balance sheet was approximately \$10.5 million, a substantial majority of which is expected to be paid in the first quarter of 2017. We estimate additional restructuring charges of approximately \$4 million will be recognized in the first quarter of 2017, primarily cash-based severance costs. We anticipate the restructuring actions and other cost saving initiatives we have taken will enable us to reduce our operating expenses by more than \$100 million in 2017 compared to 2016, primarily reflecting lower cash-based personnel-related costs. (See Note 13 to the Notes to Consolidated Financial Statements of this Annual Report on Form 10-K.)

During 2017, we expect to implement further cost saving initiatives, including additional restructuring actions, as part of our continued efforts to streamline our operations and focus our resources, and we may incur material charges as a result of these initiatives.

Other expense, net

There were no material changes to other expense, net in 2016 as compared to 2015. Other expense, net for 2015 of \$2.2 million decreased \$3.9 million from 2014, primarily due to lower interest expense and debt related costs of \$4.5 million as a result of our repayment of outstanding debt in 2014, coupled with a \$1.3 million increase in interest income associated with higher cash equivalents and marketable securities throughout 2015, partially offset by losses of \$1.9 million associated with foreign exchange rate movements and other expenses.

Income taxes

(dollars in thousands)	Year ended December 31,			2016 vs 2015 % Change	2015 vs 2014 % Change
	2016	2015	2014		
Income tax expense	\$ 43,829	\$ 16,454	\$ 52,887	166%	(69)%
Effective tax rate	11.7%	31.3%	29.2%		

2016 compared to 2015. The lower effective tax rate in 2016 compared to 2015 resulted from a federal statutory tax benefit of \$131.3 million on pre-tax book losses of \$375.2 million, offset by the establishment of a valuation allowance of \$101.9 million on all U.S. federal and state net deferred tax assets, as well as income taxes paid at lower rates in profitable foreign jurisdictions (primarily related to our wholly owned subsidiaries in Europe). We recorded a full valuation allowance on our U.S. deferred tax assets because, based upon the weight of available evidence, we believe that it is not more likely than not that our U.S. deferred tax assets will be realized in the foreseeable future.

Our provision for income taxes in each period has differed from the tax computed at U.S. federal statutory tax rates due to changes in our valuation allowance, the effect of non-U.S. operations, deductible and non-deductible stock-based compensation expense, state taxes, federal research and development tax credits and other adjustments. See Note 9 to the Notes to Consolidated Financial Statements of this Annual Report on Form 10-K for a reconciliation between the U.S. statutory tax rate and our effective tax rates.

2015 compared to 2014. Income tax expense for 2015 of \$16.5 million decreased \$36.4 million from 2014, primarily due to lower pre-tax income. Our higher effective tax rate for 2015 compared to 2014 was due to higher U.S. taxable income and lower international taxable income, which resulted from incurring a higher proportion of our 2015 operating expenses in foreign jurisdictions. Additionally, our effective tax rate for 2015 was lower than the federal statutory rate of 35% primarily due to benefits from research and development tax credits.

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Quarterly results of operations

The following table sets forth our unaudited quarterly consolidated results of operations for each of the eight quarterly periods ended December 31, 2016.

(in thousands, except per share amounts)	Three months ended							
	Dec. 31, 2016	Sept. 30, 2016	June 30, 2016	March 31, 2016	Dec. 31, 2015	Sept. 30, 2015	June 30, 2015	March 31, 2015
Revenue ⁽¹⁾	\$ 540,621	\$ 240,569	\$ 220,755	\$ 183,536	\$ 436,603	\$ 400,340	\$ 419,919	\$ 363,109
Gross profit ⁽²⁾	212,135	97,069	93,002	59,714	128,511	186,630	194,340	163,733
Operating expenses ⁽³⁾	238,703	212,658	202,379	181,149	169,805	158,994	148,202	141,465
Net income (loss)	\$ (115,709)	\$ (104,068)	\$ (91,767)	\$ (107,459)	\$ (34,451)	\$ 18,799	\$ 35,031	\$ 16,752
Net income (loss) per share:								
Basic	\$ (0.82)	\$ (0.74)	\$ (0.66)	\$ (0.78)	\$ (0.25)	\$ 0.14	\$ 0.26	\$ 0.13
Diluted	\$ (0.82)	\$ (0.74)	\$ (0.66)	\$ (0.78)	\$ (0.25)	\$ 0.13	\$ 0.24	\$ 0.11

(1) Included in revenue for the quarters ended September 30, 2015 and December 31, 2015 was a reduction of approximately \$19 million and \$21 million, respectively, for price protection and marketing development funds incurred in connection with the reduction of the HERO4 Session selling price.

(2) Included in cost of revenue for the quarters ended December 31, 2015 and March 31, 2016 were charges of \$57 million and \$8 million, respectively, for excess purchase order commitments, excess inventory and obsolete tooling, relating to the end-of-life of our entry-level HERO products.

(3) Included in operating expenses for the quarter ended March 31, 2016 and December 31, 2016 were restructuring charges of approximately \$6.2 million and \$36.4 million, respectively.

Liquidity and Capital Resources

The following table presents selected financial information as of December 31, 2016 and 2015:

(dollars in thousands)	December 31, 2016	December 31, 2015
Cash and cash equivalents	\$ 192,114	\$ 279,672
Marketable securities	25,839	194,386
Total cash and investments	<u>\$ 217,953</u>	<u>\$ 474,058</u>
Percentage of total assets	24%	43%

Our primary source of cash is receipts from revenue. The primary uses of cash are payroll-related expenses, general operating expenses, including marketing and office rent, and cost of revenue. Other sources of cash are proceeds from participation in the employee stock purchase plan and the exercise of employee options. Other uses of cash include purchases of property and equipment and business acquisitions.

As of December 31, 2016, our cash and investments of \$218.0 million was down \$256.1 million, or 54%, compared to \$474.1 million at December 31, 2015. The decrease was primarily driven by lower revenue in the first three quarters of 2016, lower margins and higher operating expenses, resulting in net cash flows used in operations of \$107.8 million. In addition, we used \$43.6 million for purchases of property and equipment and acquired two mobile editing application companies in the first half of 2016 for \$104.4 million. As of December 31, 2016, \$71.9 million of cash was held by our foreign subsidiaries.

We believe, based on our most current projections, that our cash and investments balance, along with the anticipated savings from our recent restructuring actions, any future actions and available borrowings under our credit facility will be sufficient to meet our working capital needs, capital expenditures, outstanding commitments and other liquidity requirements for at least the next 12 months:

- We forecast that revenue will increase in 2017 as compared to 2016, which we anticipate will have favorable impacts on our cash receipts and working capital.

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- We believe the restructuring actions and other cost saving initiatives we have taken will enable us to reduce our operating expenses by more than \$100 million in 2017 compared to 2016, on both a GAAP and non-GAAP basis, primarily reflecting lower cash-based personnel-related expenses.
- We expect to spend significantly less on capital expenditures in 2017 than in 2016 and prior years. Our future capital requirements may vary materially from those currently planned and will depend on many factors, including our rate of revenue growth, the timing and extent of spending on research and development efforts and other business initiatives, the timing of new product introductions, market acceptance of our products, and overall economic conditions.
- In March 2016, we entered into a credit agreement with a syndicate of banks that provides for a secured revolving credit facility under which we may borrow up to an aggregate of \$250 million. As of December 31, 2016, we may borrow up to approximately \$150 million under the credit facility, based upon a borrowing base formula with respect to our inventory and accounts receivable balances. (See Note 5 to the Notes to Consolidated Financial Statements of this Annual Report on Form 10-K for additional information.)
- We have completed acquisitions in the past and we expect to evaluate additional possible acquisitions of, or strategic investments in, businesses, products and technologies that are complementary to our business, which may require the use of cash.

Over the long-term, we forecast to generate positive cash flow from operations as we did during 2015 and 2014. In the future, we may require additional funding to respond to business opportunities, challenges, acquisitions or unforeseen circumstances. If we are unable to obtain adequate financing under our credit facility, or other sources, when we require it, our ability to grow or support our business and to respond to business challenges could be significantly limited. In the event additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us or at all.

Summary of Cash Flows

The following table summarizes our cash flows for the periods indicated:

(in thousands)	Year ended December 31,			2016 vs 2015 % Change	2015 vs 2014 % Change
	2016	2015	2014		
Net cash provided by (used in):					
Operating activities	\$ (107,753)	\$ 157,611	\$ 96,922	(168)%	63 %
Investing activities	\$ 19,286	\$ (211,977)	\$ (133,904)	(109)%	58 %
Financing activities	\$ 1,955	\$ 15,665	\$ 255,501	(88)%	(94)%

Cash flows from operating activities

Cash used by operating activities of \$107.8 million in 2016 was attributable to an adjusted net loss of \$240.5 million (net loss adjusted for non-cash expenses of \$178.5 million) partially offset by net cash inflow of \$132.7 million from changes in operating assets and liabilities. Cash inflow related to changes in operating assets and liabilities consisted of increased accounts payable and accrued liabilities of \$142.9 million, primarily associated with inventory procurement in the fourth quarter of 2016 to support customer demand during the holiday season, partially offset by other changes in assets and liabilities. The decrease in operating cash flows of \$265.4 million in 2016 compared to 2015 was primarily due to a year-over-year decline in total cash inflows associated with lower revenues coupled with a year-over-year increase in cash outflows associated with growth in total operating expenses.

Cash provided by operating activities of \$157.6 million in 2015 was comprised of \$36.1 million of net income, non-cash adjustments to net income of \$74.3 million (including stock-based compensation expense of \$80.7 million), and net cash inflow of \$47.2 million from operating assets and liabilities. Cash inflow related to operating assets and liabilities consisted of an increase in accounts payable and other liabilities of \$68.5 million, primarily related to excess purchase commitments, and a decrease of \$38.3 million in accounts receivable due to lower fourth quarter 2015 revenue. These increases were partially offset by \$35.0 million of higher inventory

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and an increase in prepaid expenses and other assets of \$23.3 million due to higher income tax receivables. The increase in cash provided by operating activities of \$60.7 million from 2014 to 2015 was primarily due to favorable changes in working capital accounts.

Cash flows from investing activities

Cash provided by investing activities was \$19.3 million in 2016 resulting from net maturities and sales of marketable securities of \$167.3 million to be used in operations, offset by \$104.4 million in net cash used for acquisitions and \$43.6 million for purchases of property and equipment, net. We had no purchases of marketable securities during 2016.

Cash used in investing activities was \$212.0 million in 2015 resulting from \$220.1 million for purchases of marketable securities, \$65.4 million for business acquisitions, and \$51.2 million for purchases of property and equipment, partially offset by \$124.7 million for net sales and maturities of marketable securities. The increase in cash outflow from 2014 to 2015 was mostly attributable to increased business acquisition activity in 2015.

Cash flows from financing activities

Cash provided by financing activities was \$2.0 million in 2016 resulting from \$2.8 million in net proceeds received from stock purchases made through our ESPP and employee stock option exercises, as well as \$3.5 million of excess tax benefit related to stock-based compensation, partially offset by payments of \$3.3 million for costs incurred in the first quarter to secure our credit facility and payments of \$1.0 million for deferred acquisition-related consideration.

Cash provided by financing activities was \$15.7 million in 2015 resulting from \$22.8 million in net proceeds received from stock purchases made through our ESPP and employee stock option exercises, as well as \$29.3 million of excess tax benefit related to stock-based compensation, partially offset by payments of \$35.6 million from the repurchase of our Class A common stock. Cash provided by financing activities of \$255.5 million in 2014 included \$294 million of proceeds received from our public offerings of common stock, as well as \$77.1 million of excess tax benefit related to stock-based compensation, partially offset by \$114 million for repayments of our debt.

Contractual Commitments

Contractual obligations. As of December 31, 2016, our total undiscounted future expected payment obligations under our agreements with terms longer than one year were approximately \$193 million, including \$140 million for operating leases, \$15 million for sponsorship agreements and \$39 million for other multi-year agreements. See Note 11 to the Notes to Consolidated Financial Statements of this Annual Report on Form 10-K for a table of contractual obligations, including payments due by period.

We also issue inventory purchase orders in the normal course of business, which represent authorizations to purchase that are cancelable by their terms. We do not consider purchase orders to be firm inventory commitments; therefore, they are excluded from our payment obligations above. If we choose to cancel a purchase order, we may be obligated to reimburse the vendor for unrecoverable outlays incurred prior to cancellation.

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

Indemnifications. We have entered into indemnification agreements with our directors and executive officers which require us to indemnify our directors and executive officers against liabilities that may arise by reason of their status or service. In addition, in the normal course of business, we enter into agreements that contain a variety of representations and warranties and provide for general indemnification. It is not possible to determine the maximum potential amount under these indemnification agreements due to our limited history with prior indemnification claims and the unique facts and circumstances involved in each particular agreement. To date,

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the payments we have made under these agreements have not had a material effect on our operating results, financial position or cash flows. However, we may record charges in the future as a result of these indemnification agreements.

Critical Accounting Policies and Estimates

We prepare our consolidated financial statements in accordance with GAAP. The preparation of these consolidated financial statements requires us to make estimates, assumptions and judgments that can significantly impact the amounts we report as assets, liabilities, revenue, costs and expenses and the related disclosures. Note 1 to the Notes to Consolidated Financial Statements of this Annual Report on Form 10-K describes the significant accounting policies and methods used in the preparation of the consolidated financial statements. We base our estimates on historical experience and other assumptions that we believe are reasonable under the circumstances. Our actual results could differ significantly from these estimates under different assumptions and conditions. We believe that the accounting policies discussed below are critical to understanding our historical and future performance as these policies involve a greater degree of judgment and complexity. Our senior management has reviewed these critical accounting policies and related disclosures with the Audit Committee of our board of directors.

Revenue recognition

Revenue is primarily derived from the sale of our cameras, mounts and accessories and the related implied post contract support, or PCS. We recognize revenue when all of the following criteria have been met:

- *Persuasive evidence of an arrangement exists.* Contracts or sales orders from our distributors, resellers or online customers are generally used to determine the existence of an arrangement.
- *Delivery has occurred.* We consider delivery to have occurred once title and risk of loss has been transferred. Shipping documents and customer acceptance, when applicable, are used to verify delivery.
- *The sales price is fixed or determinable.* We assess whether the sales price is fixed or determinable based on the payment terms associated with the transaction and whether the sales price is subject to refund or adjustment.
- *Collectability is reasonably assured.* We assess collectability based primarily on the creditworthiness of the customer as determined by credit analysis, the customer's payment history, and other relevant factors.

For most of our revenue, these criteria are met at the time the product is shipped. Our standard terms and conditions of sale for non-web based sales do not allow for product returns other than under warranty. However, we grant limited rights to return product for certain large retailers and distributors. Estimates of expected future product returns are recognized at the time of sale based on analyses of historical return trends by customer class. Upon recognition, we reduce revenue and cost of sales for the estimated returns. Return trends are influenced by product life cycles, new product introductions, market acceptance of products, product sell-through, the type of customer, seasonality, and other factors. Return rates can fluctuate over time, but are sufficiently predictable to allow us to estimate expected future product returns. Actual returns in any future period could differ from our estimates, which could impact the revenue that we report.

Our products include multiple element arrangements that generally include the following two separate units of accounting: 1) the hardware component (camera and accessories) and the embedded firmware essential to the functionality of the camera delivered at the time of sale, and 2) the implied right for the customer to receive PCS. Judgment is required to properly identify the accounting units of multiple element arrangements and to determine the manner in which revenue should be allocated among the units. We believe that our best estimate of the selling price, or BESP, is the most appropriate methodology to determine the allocation of revenue. BESP reflects our best estimates of what the selling prices of elements would be if they were sold regularly on a stand-alone basis. Our process for determining BESP considers multiple factors that may vary over time depending upon the unique facts and circumstances related to each deliverable, including: the level of support provided to customers, estimated costs to provide our support, the amount of time and cost that is allocated to our efforts to develop the undelivered elements, and market trends in the pricing for similar offerings. While

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changes in the allocation of the estimated sales price between the units of accounting will not affect the amount of total revenue recognized for a particular sales arrangement, any material changes in these allocations could impact the timing of revenue recognition, which could have a material effect on our financial condition and results of operations.

In addition, we provide our customers with sales incentives including cooperative advertising, marketing development funds and other incentives. Additionally, we have historically provided certain distributors and retailers price protection benefits for inventory on hand when we have reduced the recommended retail price of our products to the end customer. We record reductions to revenue for estimated commitments related to sales incentives when the related revenue is recognized or when a relevant event subsequently occurs. See Note 1 to the Notes to Consolidated Financial Statements of this Annual Report on Form 10-K.

Inventory valuation and liability for purchase commitments

Inventory consists of finished goods and component parts and is stated at the lower of cost or market on a first-in, first-out basis. Our inventory balances were \$167.2 million and \$188.2 million as of December 31, 2016 and 2015, respectively. Our assessment of market value requires the use of estimates regarding the net realizable value of our inventory balances, including an assessment of excess or obsolete inventory. We determine excess and obsolete inventory based on multiple factors, including an estimate of the future demand for our products within a specified time horizon, generally 12 months, product life cycle status, product development plans and current sales levels. We also record a liability for noncancelable purchase commitments with contract manufacturers for quantities in excess of our future demand forecasts consistent with the valuation of our excess and obsolete inventory. The estimates used for future demand are also used for near-term capacity planning and inventory purchases and are consistent with our revenue forecast assumptions. If our demand forecast is greater than the actual demand, the amount of our loss will be impacted by our contractual ability to reduce inventory purchases from our contract manufacturers. Our assumptions of future demand for our products are inherently uncertain, and if there were to be an abrupt and substantial decline in demand for one or more of our products or a change in our product development plans, we may be required to increase our inventory write-downs and our liability for purchase commitments that would adversely affect our results of operations in the period when such write-downs and/or excess commitments are recorded.

Warranty

We generally provide 12-month warranty coverage on all of our products except in the EU where we provide a two-year warranty. Our warranty provides for repair or replacement of the associated products during the warranty period. We establish a liability for estimated product warranty costs at the time product revenue is recognized. The warranty obligation is affected by product failure rates and the related use of materials, labor costs and freight incurred in correcting any product failure. Should actual product failure rates, use of materials or other costs differ from our estimates, additional warranty liabilities could be required, which could materially affect our results of operations.

Income taxes

We are subject to income taxes in the United States and multiple foreign jurisdictions. Our effective tax rates differ from the U.S. federal statutory rate, primarily due to changes in our valuation allowance, the effect of non-U.S. operations, deductible and non-deductible stock-based compensation expense, state taxes, federal research and development tax credits and other adjustments. Our effective tax rate was 11.7%, 31.3% and 29.2% in 2016, 2015 and 2014, respectively. The calculation of our provision for income taxes involves the use of estimates, assumptions and judgments while taking into account current tax laws, our interpretation of current tax laws and possible outcomes of future tax audits. We review our tax positions quarterly and adjust the balances as new information becomes available. Our income tax rate is materially affected by the tax rates that apply to our foreign earnings. As of December 31, 2016, \$3.3 million of earnings had been indefinitely reinvested outside the U.S., primarily in active non-U.S. business operations. We do not intend to repatriate these earnings to fund U.S. operations and, accordingly, we do not provide for U.S. federal income and foreign withholding tax on these earnings.

GoPro, Inc.
Management's Discussion and Analysis of Financial Condition and Results of Operations

Deferred tax assets. Deferred tax assets arise because of temporary differences between the financial reporting and tax bases of assets and liabilities, as well as from net operating loss and tax credit carryforwards. We evaluate the recoverability of these future tax deductions and credits by assessing the adequacy of future expected taxable income from all sources, including reversal of taxable temporary differences, forecast operating earnings and available tax planning strategies. As of December 31, 2016, we had a full valuation allowance on all of U.S. net deferred tax assets based on our assessment that it is not more likely than not that the deferred tax asset will be realized.

Uncertain tax positions. We recognize tax benefits from uncertain tax positions only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. We file annual income tax returns in multiple taxing jurisdictions around the world and a number of years may elapse before an uncertain tax position is audited by the relevant tax authorities and finally resolved. We have established reserves to address potential exposures related to tax positions that could be challenged by tax authorities. While it is often difficult to predict the final outcome or the timing of resolution of any particular uncertain tax position, we believe that our reserves reflect the most likely outcome.

Our future effective tax rates could be adversely affected by earnings being lower than anticipated in countries where we have lower statutory rates and higher than anticipated in countries where we have higher statutory rates, by changes in the valuation of our deferred tax assets or liabilities, outcomes resulting from income tax examinations, or by changes or interpretations in tax laws, regulations or accounting principles.

Goodwill and acquired intangible assets

When we acquire a business, we allocate the purchase price to the net tangible and identifiable intangible assets, with the residual of the purchase price recorded as goodwill. The determination of the fair value of the intangible assets acquired involves significant judgments and estimates. These judgments can include, but are not limited to, the cash flows that an asset is expected to generate in the future, technology obsolescence, and the appropriate weighted average cost of capital. Our estimate of the fair value of certain assets may differ materially from that determined by others who use different assumptions or utilize different business models.

We perform an annual assessment of our goodwill during the fourth quarter to determine if any events or circumstances exist, such as an adverse change in business climate or a decline in the overall industry demand, that would indicate that it is more likely than not that the fair value of our single reporting unit would be reduced below its carrying amount. If further testing is deemed necessary, we perform a two-step process. The first step involves comparing the fair value of our reporting unit to its carrying value. The second step, if necessary, measures the amount of impairment, if any, by comparing the carrying value of the goodwill to its implied fair value. As of December 31, 2016, we determined that no impairment of the carrying value of goodwill was required.

Stock-based compensation

We measure and recognize stock-based compensation based on the fair value measurement for all stock-based awards granted to employees and directors over the service period for awards expected to vest. See Note 7 to the Notes to Consolidated Financial Statements of this Annual Report on Form 10-K. We use the Black-Scholes option-pricing model to determine the fair value of stock options and employee stock purchase plan options. The determination of the grant date fair value of options using an option-pricing model is affected by our common stock fair value as well as assumptions regarding a number of variables, of which the most subjective were estimated as follows:

- *Expected Term.* We do not have sufficient historical exercise data to provide a reasonable basis upon which to estimate expected term due to the limited period of time stock-based awards have been exercisable since the completion of our IPO in July 2014. As a result, we used the simplified method to calculate the expected term estimate based on the vesting and contractual terms of the option. Under the simplified method, the expected term is equal to the average of the stock-based award's weighted average vesting period and its contractual term.

GoPro, Inc.
Management's Discussion and Analysis of Financial Condition and Results of Operations

- *Volatility.* As we do not have a significant trading history for our common stock, the expected stock price volatility for our common stock was estimated by taking the average historic volatility of the common stock of a group of comparable publicly traded companies over a period equivalent to the expected term.

The estimation of awards that will ultimately vest requires judgment, and to the extent actual results or updated estimates differ from our current estimates, such amounts will be recorded as a cumulative adjustment in the period estimates are revised. These adjustments have not been material to date.

Recent accounting pronouncements

Refer to "Recent Accounting Pronouncements" in Note 1 to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K.

Non-GAAP Financial Measures

In addition to the measures presented in our consolidated financial statements, we use the non-GAAP financial measures of adjusted EBITDA, non-GAAP net income (loss) and non-GAAP earnings (loss) per share to evaluate our business, measure our performance, develop financial forecasts and make strategic decisions.

The following tables present a reconciliation of net income (loss) to adjusted EBITDA:

(in thousands)	Three months ended	
	December 31, 2016	December 31, 2015
Net loss	\$ (115,709)	\$ (34,451)
Income tax expense (benefit)	87,391	(6,521)
Interest (income) expense, net	1,022	(126)
Depreciation and amortization	11,100	9,596
POP display amortization	4,944	4,114
Stock-based compensation	17,926	18,120
Impairment of intangible assets	1,088	—
Restructuring costs	36,581	—
Adjusted EBITDA	<u>\$ 44,343</u>	<u>\$ (9,268)</u>

(in thousands)	Year ended December 31,				
	2016	2015	2014	2013	2012
Net income (loss)	\$ (419,003)	\$ 36,131	\$ 128,088	\$ 60,578	\$ 32,262
Income tax expense	43,829	16,454	52,887	30,751	20,948
Interest expense	1,401	234	5,038	6,018	346
Depreciation and amortization	41,639	28,981	17,945	12,034	3,975
POP display amortization	19,623	16,829	18,023	13,458	8,601
Stock-based compensation	69,527	80,680	71,399	10,887	9,156
Impairment of intangible assets	7,088	—	—	—	—
Restructuring costs	43,089	—	—	—	—
Adjusted EBITDA	<u>\$ (192,807)</u>	<u>\$ 179,309</u>	<u>\$ 293,380</u>	<u>\$ 133,726</u>	<u>\$ 75,288</u>

GoPro, Inc.
Management's Discussion and Analysis of Financial Condition and Results of Operations

The following tables present a reconciliation of net income (loss) to non-GAAP net income (loss):

(in thousands)	Three months ended	
	December 31, 2016	December 31, 2015
Net loss	\$ (115,709)	\$ (34,451)
Stock-based compensation	17,926	18,120
Acquisition-related costs	3,700	1,545
Restructuring costs	36,581	—
Income tax adjustments	99,869	3,390
Non-GAAP net income (loss)	<u>\$ 42,367</u>	<u>\$ (11,396)</u>
Non-GAAP diluted earnings (loss) per share	<u>\$ 0.29</u>	<u>\$ (0.08)</u>
GAAP shares for diluted net income (loss) per share	141,063	137,086
Add: effect of potentially dilutive shares	5,198	—
Non-GAAP shares for diluted net income per share	<u>146,261</u>	<u>137,086</u>

(in thousands)	Year ended December 31,			
	2016	2015	2014	2013
Net income (loss)	\$ (419,003)	\$ 36,131	\$ 128,088	\$ 60,578
Stock-based compensation	69,527	80,680	71,399	10,887
Acquisition-related costs	17,346	5,370	1,133	1,106
Restructuring costs	43,089	—	—	—
Income tax adjustments	87,794	(10,617)	(11,707)	(3,745)
Non-GAAP net income (loss)	<u>\$ (201,247)</u>	<u>\$ 111,564</u>	<u>\$ 188,913</u>	<u>\$ 68,826</u>
Non-GAAP diluted earnings (loss) per share	<u>\$ (1.44)</u>	<u>\$ 0.76</u>	<u>\$ 1.32</u>	<u>\$ 0.50</u>
GAAP shares for diluted net income (loss) per share	139,425	146,486	123,630	98,941
Add: preferred shares conversion	—	—	15,136	30,523
Add: initial public offering shares	—	—	4,414	8,900
Non-GAAP shares for diluted net income (loss) per share	<u>139,425</u>	<u>146,486</u>	<u>143,180</u>	<u>138,364</u>

We use these non-GAAP financial measures of adjusted EBITDA, non-GAAP net income (loss), and non-GAAP earnings (loss) per share to help us understand and evaluate our core operating performance and trends, to prepare and approve our annual budget, and to develop short-term and long-term operational plans. We believe that these measures provide useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and board of directors. These non-GAAP financial measures should not be considered in isolation from, or as an alternative to, measures prepared in accordance with GAAP, and are not based on any comprehensive set of accounting rules or principles. These non-GAAP financial measures have limitations in that they do not reflect all of the amounts associated with our results of operations as determined in accordance with GAAP. Some of these limitations are:

- These non-GAAP financial measures may exclude certain recurring, non-cash charges such as stock-based compensation and amortization of acquired intangible assets;
- adjusted EBITDA does not reflect tax payments that reduce cash available to us;
- adjusted EBITDA excludes depreciation and amortization and, although these are non-cash charges, the property and equipment being depreciated and amortized often will have to be replaced in the future, and adjusted EBITDA does not reflect any cash capital expenditure requirements for such replacements;

GoPro, Inc.

Management's Discussion and Analysis of Financial Condition and Results of Operations

- adjusted EBITDA excludes the amortization of POP display assets because it is a non-cash charge, and similar to depreciation of property and equipment and amortization of acquired intangible assets;
- adjusted EBITDA and non-GAAP net income (loss) excludes the impairment of intangible assets because it is a non-cash charge that is inconsistent in amount and frequency, and similar to amortization of acquired intangible assets;
- adjusted EBITDA and non-GAAP net income (loss) also excludes restructuring costs because these expenses do not reflect expected future operating expenses and do not contribute to a meaningful evaluation of current operating performance or comparisons to the operating performance in other periods; and
- other companies may calculate these non-GAAP financial measures differently than we do, limiting their usefulness as comparative measures.

Because of these limitations, you should consider adjusted EBITDA, non-GAAP net income (loss) and non-GAAP diluted earnings (loss) per share alongside other financial performance measures, including our financial results presented in accordance with GAAP.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risks in the ordinary course of our business. These risks primarily include foreign currency and interest rate risks as follows:

Foreign currency risk. To date, the majority of our product sales and inventory purchases have been denominated in U.S. dollars. We therefore have had insignificant foreign currency risk associated with these two activities. The functional currency of all of our entities is the U.S. dollar. Our operations outside of the United States hold foreign denominated cash balances and incur a majority of their operating expenses in foreign currencies, principally the Euro and the British Pound. Our results of operations and cash flows are, therefore, subject to fluctuations due to changes in foreign currency exchange rates. However, we believe that the exposure to foreign currency fluctuation from operating expenses is immaterial at this time as the related costs do not constitute a significant portion of our total expenses. As we grow our operations, or if foreign currency held in our U.S. dollar functional currency entities increases, our exposure to foreign currency risk could become more significant. To date, we have not entered into any material foreign currency exchange contracts. For assets and liabilities denominated in other currencies, we do not believe that the effects of a 10% shift in exchange rates between those currencies and the U.S. dollar would have a material effect on our results of operations from such a shift.

Interest rate risk. Our exposure to market risk for changes in interest rates primarily relates to our cash and cash equivalents and marketable securities. Our cash equivalents and marketable securities are comprised primarily of money market funds, U.S. treasury securities, U.S. agency securities, commercial paper and corporate debt securities. The primary objectives of our investment activities are to preserve principal and provide liquidity without significantly increasing risk. Our cash and cash equivalents are held for working capital purposes. We do not enter into investments for trading or speculative purposes. Due to the relatively short-term nature of our investment portfolio, we do not believe that an immediate 10% increase in interest rates would have a material effect on the fair value of our investment portfolio.

Item 8. Financial Statements and Supplementary Data

GoPro, Inc.

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The supplementary financial information required by this Item 8, is included in Part II, Item 7 under the caption "Quarterly Results of Operations," which is incorporated herein by reference.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of GoPro, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of redeemable convertible preferred stock and stockholders' equity (deficit) and of cash flows present fairly, in all material respects, the financial position of GoPro, Inc. and its subsidiaries at December 31, 2016 and December 31, 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control — Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Annual Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our audits (which were integrated audits in 2016 and 2015). We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

San Jose, California
February 16, 2017

GoPro, Inc.
Consolidated Balance Sheets

(in thousands, except par values)	December 31, 2016	December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 192,114	\$ 279,672
Marketable securities	25,839	194,386
Accounts receivable, net	164,553	145,692
Inventory	167,192	188,232
Prepaid expenses and other current assets	38,115	25,261
Total current assets	<u>587,813</u>	<u>833,243</u>
Property and equipment, net	76,509	70,050
Intangible assets, net	33,530	31,027
Goodwill	146,459	57,095
Other long-term assets	78,329	111,561
Total assets	<u>\$ 922,640</u>	<u>\$ 1,102,976</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 205,028	\$ 89,989
Accrued liabilities	211,323	192,446
Deferred revenue	14,388	12,742
Total current liabilities	<u>430,739</u>	<u>295,177</u>
Long-term taxes payable	26,386	21,770
Other long-term liabilities	18,570	13,996
Total liabilities	<u>475,695</u>	<u>330,943</u>
Commitments, contingencies and guarantees (Note 11)		
Stockholders' equity:		
Preferred stock, \$0.0001 par value, 5,000 shares authorized; none issued	—	—
Common stock and additional paid-in capital, \$0.0001 par value, 500,000 Class A shares authorized, 104,647 and 100,596 shares issued and outstanding, respectively; 150,000 Class B shares authorized, 36,712 and 36,005 shares issued and outstanding, respectively	757,226	663,311
Treasury stock, at cost, 1,545 and 1,545 shares, respectively	(35,613)	(35,613)
Retained earnings (accumulated deficit)	(274,668)	144,335
Total stockholders' equity	<u>446,945</u>	<u>772,033</u>
Total liabilities and stockholders' equity	<u>\$ 922,640</u>	<u>\$ 1,102,976</u>

The accompanying notes are an integral part of these consolidated financial statements.

GoPro, Inc.
Consolidated Statements of Operations

(in thousands, except per share data)	Year ended December 31,		
	2016	2015	2014
Revenue	\$ 1,185,481	\$ 1,619,971	\$ 1,394,205
Cost of revenue	723,561	946,757	766,970
Gross profit	461,920	673,214	627,235
Operating expenses:			
Research and development	358,902	241,694	151,852
Sales and marketing	368,620	268,939	194,377
General and administrative	107,367	107,833	93,971
Total operating expenses	834,889	618,466	440,200
Operating income (loss)	(372,969)	54,748	187,035
Other expense, net	(2,205)	(2,163)	(6,060)
Income (loss) before income taxes	(375,174)	52,585	180,975
Income tax expense	43,829	16,454	52,887
Net income (loss)	<u>\$ (419,003)</u>	<u>\$ 36,131</u>	<u>\$ 128,088</u>
Less: net income allocable to participating securities	—	—	(16,512)
Net income (loss) attributable to common stockholders — basic	<u>\$ (419,003)</u>	<u>\$ 36,131</u>	<u>\$ 111,576</u>
Add: net income allocable to dilutive participating securities	—	—	2,277
Net income (loss) attributable to common stockholders — diluted	<u>\$ (419,003)</u>	<u>\$ 36,131</u>	<u>\$ 113,853</u>
Net income (loss) per share:			
Basic	<u>\$ (3.01)</u>	<u>\$ 0.27</u>	<u>\$ 1.07</u>
Diluted	<u>\$ (3.01)</u>	<u>\$ 0.25</u>	<u>\$ 0.92</u>
Shares used to compute net income (loss) per share:			
Basic	139,425	134,595	104,453
Diluted	139,425	146,486	123,630

The accompanying notes are an integral part of these consolidated financial statements.

GoPro, Inc.
Consolidated Statements of Redeemable Convertible Preferred Stock and
Stockholders' Equity (Deficit)

(in thousands)	Redeemable convertible preferred stock		Common stock and additional paid-in capital		Treasury stock	Retained earnings (accumulated deficit)	Stockholders' equity (deficit)
	Shares	Amount	Shares	Amount	Amount		
Balances at December 31, 2013	30,523	\$ 77,198	81,420	\$ 14,518	\$ —	\$ (19,884)	\$ (5,366)
Issuance of common stock upon public offerings, net of offering costs	—	—	10,188	286,247	—	—	286,247
Conversion of preferred stock to common stock upon initial public offering, net of issuance cost accretion	(30,523)	(77,198)	30,523	77,198	—	—	77,198
Common stock issued under employee benefit plans, net of shares withheld for tax	—	—	8,414	7,681	—	—	7,681
Retirement of common stock	—	—	(1,430)	(1,177)	—	—	(1,177)
Stock-based compensation expense	—	—	—	71,399	—	—	71,399
Excess tax benefit from stock-based compensation	—	—	—	77,134	—	—	77,134
Net income	—	—	—	—	—	128,088	128,088
Balances at December 31, 2014	—	—	129,115	533,000	—	108,204	641,204
Common stock issued under employee benefit plans, net of shares withheld for tax	—	—	14,249	36,413	—	—	36,413
Taxes paid related to net share settlements	—	—	—	(13,943)	—	—	(13,943)
Retirement of common stock	—	—	(5,218)	—	—	—	—
Repurchase of outstanding common stock	—	—	(1,545)	—	(35,613)	—	(35,613)
Stock-based compensation expense	—	—	—	80,583	—	—	80,583
Excess tax benefit from stock-based compensation	—	—	—	27,258	—	—	27,258
Net income	—	—	—	—	—	36,131	36,131
Balances at December 31, 2015	—	—	136,601	663,311	(35,613)	144,335	772,033
Common stock issued under employee benefit plans, net of shares withheld for tax	—	—	3,936	10,103	—	—	10,103
Taxes paid related to net share settlements	—	—	—	(6,889)	—	—	(6,889)
Shares issued to third-party vendor for services (Note 11)	—	—	822	7,297	—	—	7,297
Stock-based compensation expense (Note 7)	—	—	—	69,499	—	—	69,499
Stock-based compensation expense related to restructuring (Note 13)	—	—	—	15,566	—	—	15,566
Excess tax benefit from stock-based compensation	—	—	—	(1,661)	—	—	(1,661)
Net loss	—	—	—	—	—	(419,003)	(419,003)
Balances at December 31, 2016	—	\$ —	141,359	\$ 757,226	\$ (35,613)	\$ (274,668)	\$ 446,945

The accompanying notes are an integral part of these consolidated financial statements.

GoPro, Inc.
Consolidated Statements of Cash Flows

(in thousands)	Year ended December 31,		
	2016	2015	2014
Operating activities:			
Net income (loss)	\$ (419,003)	\$ 36,131	\$ 128,088
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	41,640	28,981	17,945
Stock-based compensation	69,527	80,680	71,399
Excess tax benefit from stock-based compensation	(3,463)	(29,348)	(77,134)
Deferred income taxes	38,568	(11,468)	(16,920)
Non-cash restructuring charges	17,601	—	—
Impairment of intangible assets	7,088	—	—
Other	7,574	5,427	1,865
Changes in operating assets and liabilities:			
Accounts receivable, net	(18,816)	38,313	(61,323)
Inventory	21,040	(35,005)	(41,033)
Prepaid expenses and other assets	(14,618)	(23,281)	(30,317)
Accounts payable and other liabilities	142,941	68,461	98,354
Deferred revenue	2,168	(1,280)	5,998
Net cash provided by (used in) operating activities	(107,753)	157,611	96,922
Investing activities:			
Purchases of property and equipment, net	(43,627)	(51,245)	(27,210)
Purchases of marketable securities	—	(220,055)	(103,827)
Maturities of marketable securities	119,918	94,680	1,083
Sale of marketable securities	47,348	30,048	—
Acquisitions, net of cash acquired	(104,353)	(65,405)	(3,950)
Net cash provided by (used in) investing activities	19,286	(211,977)	(133,904)
Financing activities:			
Proceeds from issuance of common stock, net	2,775	22,833	300,097
Excess tax benefit from stock-based compensation	3,463	29,348	77,134
Payment of deferred acquisition-related consideration	(950)	—	(2,000)
Payment of credit facility issuance costs	(3,333)	—	—
Payment of deferred public offering costs	—	(903)	(5,730)
Repurchases of outstanding common stock	—	(35,613)	—
Repayment of debt	—	—	(114,000)
Net cash provided by financing activities	1,955	15,665	255,501
Effect of exchange rate changes on cash and cash equivalents	(1,046)	(1,556)	—
Net increase (decrease) in cash and cash equivalents	(87,558)	(40,257)	218,519
Cash and cash equivalents at beginning of period	279,672	319,929	101,410
Cash and cash equivalents at end of period	\$ 192,114	\$ 279,672	\$ 319,929
Supplementary cash flow disclosure:			
Cash paid for interest	\$ —	\$ —	\$ 1,853
Cash paid (refunded) for income taxes, net	\$ 9,690	\$ (1,093)	\$ 37,283
Non-cash investing and financing activities:			
Conversion of preferred stock to common stock, net	\$ —	\$ —	\$ 77,198
Purchases of property and equipment included in accounts payable and accrued liabilities	\$ 2,258	\$ 5,153	\$ 2,474
Reclass of deferred public offering costs to additional paid-in capital	\$ —	\$ —	\$ 7,722

The accompanying notes are an integral part of these consolidated financial statements.

GoPro, Inc.
Notes to Consolidated Financial Statements

1. Summary of business and significant accounting policies

GoPro, Inc. (GoPro or the Company) makes mountable and wearable cameras, drones and accessories. The Company's products are sold globally through retailers, wholesale distributors and on the Company's website. The Company's global corporate headquarters are located in San Mateo, California.

Basis of presentation. The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP). The Company's fiscal year ends on December 31, and its fiscal quarters end on March 31, June 30, and September 30.

Principles of consolidation. These consolidated financial statements include all the accounts of the Company and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

Use of estimates. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported and disclosed in the Company's consolidated financial statements and accompanying notes. The Company bases its estimates and assumptions on historical experience and on various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ materially from management's estimates. To the extent there are material differences between the estimates and the actual results, future results of operations could be affected.

Comprehensive income (loss). For all periods presented, comprehensive income (loss) approximated net income (loss). Therefore, the consolidated statements of comprehensive income (loss) have been omitted.

Prior period reclassifications. Reclassifications of certain prior period amounts in the consolidated financial statements have been made to conform to the current period presentation.

Cash equivalents and marketable securities. Cash equivalents primarily consist of investments in money market funds with maturities of three months or less from the date of purchase. Marketable securities consist of commercial paper, U.S. agency securities, and corporate debt securities, and are classified as available-for-sale securities. The Company views these securities as available to support current operations and it has classified all available-for-sale securities as current assets. Available-for-sale securities are carried at fair value with unrealized gains and losses, if any, included in stockholders' equity. Unrealized losses are charged against other income (expense), net, for declines in fair value below the cost of an individual investment that is deemed to be other than temporary. The Company has not identified any marketable securities as other-than-temporarily impaired for the periods presented. The cost of securities sold is based upon a specific identification method.

Accounts receivable and allowance for doubtful accounts. Accounts receivable are stated at invoice value less estimated allowances for returns and doubtful accounts. Allowances are recorded based on the Company's assessment of various factors, such as: historical experience, credit quality of its customers, age of the accounts receivable balances, geographic related risks, economic conditions and other factors that may affect a customer's ability to pay. The allowance for doubtful accounts as of December 31, 2016 and 2015 was \$1.3 million and \$1.4 million, respectively.

Inventory. Inventory consists of finished goods and component parts, which are purchased directly or from contract manufacturers. Inventory is stated at the lower of cost or market on a first-in, first-out basis. The Company writes down its inventory for estimated obsolescence or excess inventory equal to the difference between the cost of inventory and estimated market value. The Company's assessment of market value is based upon assumptions around market conditions and estimated future demand for its products within a specified time horizon, generally 12 months. Adjustments to reduce inventory to net realizable value are recognized in cost of revenue.

Point of purchase (POP) displays. The Company provides retailers with POP displays, generally free of charge, in order to facilitate the marketing of the Company's products within retail stores. The POP displays

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contain a display that broadcasts video images taken by GoPro cameras with product placement available for cameras and accessories. POP display costs, less any fees charged, are capitalized as long-term assets and charged to sales and marketing expense over the expected period of benefit, which generally ranges from 24 to 36 months. Cash outflows and amortization related to POP displays are classified as operating activities in the consolidated statement of cash flows. Amortization was \$19.6 million, \$16.8 million and \$18.0 million in 2016, 2015 and 2014, respectively.

Property and equipment, net. Property and equipment are stated at cost and are depreciated using the straight-line method over the estimated useful life of the assets, ranging from one to ten years. Leasehold improvements are amortized over the shorter of the lease term or their expected useful life. Property and equipment pending installation, configuration or qualification are classified as construction in progress. Costs of maintenance and repairs that do not improve or extend the lives of the respective assets are expensed as incurred.

Fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the reporting date. The Company estimates and categorizes the fair value of its financial assets by applying the following hierarchy:

- Level 1 Valuations based on quoted prices in active markets for identical assets or liabilities that the Company has the ability to directly access.
- Level 2 Valuations based on quoted prices for similar assets or liabilities; valuations for interest-bearing securities based on non-daily quoted prices in active markets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets or liabilities.
- Level 3 Valuations based on inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The fair value of Level 2 financial instruments is obtained from an independent pricing service, which may use quoted market prices for identical or comparable instruments or model driven valuations using observable market data or inputs corroborated by observable market data.

Leases. The Company leases its office space and facilities under cancelable and non-cancelable operating leases. For leases that contain rent escalation or rent concession provisions, the Company recognizes rent expense on a straight-line basis over the term of the lease. The Company does not assume renewals in its determination of the lease term unless the renewals are deemed to be reasonably assured at lease inception.

Goodwill and other intangible assets. Goodwill represents the excess of the purchase price over the fair value of the net assets acquired in a business combination. Acquired intangible assets other than goodwill are amortized over their useful lives unless the lives are determined to be indefinite. For intangible assets acquired in a business combination, the estimated fair values of the assets received are used to establish their recorded values. Valuation techniques consistent with the market approach, income approach and/or cost approach are used to measure fair value.

Impairment of goodwill and long-lived assets. The Company performs an annual assessment of its goodwill during the fourth quarter of each calendar year or more frequently if indicators of potential impairment exist, such as an adverse change in business climate or a decline in the overall industry demand, that would indicate it is more likely than not that the fair value of its single reporting unit is less than its carrying value. There was no impairment of goodwill for any periods presented. For the annual impairment testing in 2016, the Company performed a quantitative analysis and determined the fair value of its single reporting unit exceeded the carrying value. Other indefinite-lived intangible assets are assessed for impairment at least annually. If their value carrying value exceeds the estimated fair value, the difference is recorded as an impairment. See Note 4 for information regarding impairment charges recorded for indefinite-lived intangible assets.

Long-lived assets, such as property and equipment and intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or

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asset group may not be recoverable. Recoverability of assets to be held and used is measured by comparing the carrying amount to the estimated future undiscounted cash flows expected to be generated by the asset group. If it is determined that an asset group is not recoverable, an impairment charge is recognized for the amount by which the carrying amount of the asset group exceeds its fair value. There was no material impairment of long-lived assets for any periods presented.

Warranty. The Company records a liability for estimated product warranty costs at the time product revenue is recognized. The Company's standard warranty obligation to its end-users generally provides a 12-month warranty coverage on all of its products except in the European Union where the Company provides a two-year warranty. The Company's estimate of costs to service its warranty obligations is based on its historical experience of repair and replacement of the associated products and expectations of future conditions. The warranty obligation is affected by product failure rates and the related use of materials, labor costs and freight incurred in correcting any product failure.

Revenue recognition. Revenue is primarily comprised of product revenue, net of returns and sales incentives. The Company derives substantially all of its revenue from the sale of cameras, mounts and accessories and the related implied post contract support (PCS). The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable, and collectability is reasonably assured. For most of the Company's revenue, these criteria are met at the time the product is shipped. For customers who purchase products directly from the Company's website, revenue is deferred until delivery to the customer's address because the Company retains a portion of the risk of loss on these sales during transit.

The Company grants limited rights to return product for certain large retailers and distributors. The Company records reductions to revenue and cost of sales for expected future product returns at the time of sale based on analyses of historical return trends by customer class. Return trends are influenced by product life cycles, new product introductions, market acceptance of products, product sell-through, the type of customer, seasonality, and other factors. Return rates may fluctuate over time, but are sufficiently predictable to allow the Company to estimate expected future product returns.

The Company's camera sales are multiple element arrangements that generally include the following two units of accounting: a) the hardware component (camera and/or accessories) and the embedded firmware essential to the functionality of the camera delivered at the time of sale, and b) the implied right for the customer to receive PCS. PCS includes the right to receive, on a when and if available basis, future unspecified firmware upgrades and features as well as bug fixes, email and telephone support. The Company accounts for each element separately and allocates revenue based on its best estimate of the selling price (BESP). The Company's process for determining BESP considers multiple factors that may vary over time depending upon the unique facts and circumstances related to each deliverable, including: the level of support provided to customers, estimated costs to provide the Company's support, the amount of time and cost that is allocated to the Company's efforts to develop the undelivered elements, and market trends in the pricing for similar offerings. The Company also offers several mobile and desktop applications at no charge to help users manage, edit, view and share their content. These applications are not essential to the functionality of the camera, therefore, are not accounted as a separate element of the arrangement.

Revenue allocated to the delivered hardware and the related essential software is recognized at the time of sale provided the conditions for recognition of revenue have been met. Revenue allocated to PCS is deferred and recognized on a straight-line basis over the estimated term of the support period, which is estimated to be 15 months based on historical experience. Deferred revenue also includes amounts related to the Company's GoPro Care and GoPro Plus fee-based service offerings.

Sales incentives. The Company offers sales incentives through various programs, consisting primarily of cooperative advertising and marketing development fund programs. Sales incentives are recorded as a reduction to revenue in the period the incentives are offered to the Company's customers or the related revenue is recognized, whichever is later. In addition, the Company offers price protection discounts to certain customers

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when camera device models are released or repriced and the customer has remaining inventory on hand. The Company calculates price protection discounts in the period that the price reduction goes into effect, and they are recorded as a reduction of revenue, based on the evaluation of inventory currently held by the customer subject to price protection.

Shipping costs. Amounts billed to customers for shipping and handling are classified as revenue and the Company's related shipping and handling costs incurred are classified as cost of revenue.

Sales taxes. Sales taxes collected from customers and remitted to respective governmental authorities are recorded as liabilities and not included in revenue.

Advertising costs. Advertising costs consist of costs associated with print, television and ecommerce media advertisements and are expensed as incurred. The Company incurs promotional expenses resulting from payments under event, resort and athlete sponsorship contracts. These sponsorship arrangements are considered to be executory contracts and, as such, the costs are expensed as performance under the contract is received. The costs associated with preparation of sponsorship activities, including the supply of GoPro products, media team support, and activation fees are expensed as incurred. Prepayments made under sponsorship agreements are included in prepaid expenses or other long-term assets depending on the period to which the prepayment applies. Advertising costs were \$106.0 million, \$64.7 million and \$47.2 million in 2016, 2015 and 2014, respectively.

Stock-based compensation. The Company accounts for stock-based compensation in accordance with accounting guidance that requires all stock-based awards granted to employees and directors to be measured at fair value and recognized as an expense. The Company primarily issues restricted stock units. For service-based awards, stock-based compensation is recognized on a straight-line basis over the requisite service period, net of estimated forfeitures. For performance and market-based awards which also require a service period, the Company uses graded vesting over the longer of the derived service period or when the performance or market condition is satisfied.

The Company recognizes a benefit from stock-based compensation as additional paid-in capital if an excess tax benefit is realized by following the with-and-without approach. The indirect effects of stock-based compensation deductions are reflected in the income tax provision for purposes of measuring the excess tax benefit at settlement of awards.

Foreign currency. The U.S. dollar is the functional currency of the Company's foreign subsidiaries. The Company remeasures monetary assets or liabilities denominated in currencies other than the U.S. dollar using exchange rates prevailing on the balance sheet date, and non-monetary assets and liabilities at historical rates. Foreign currency remeasurement and transaction gains and losses are included in other expense, net and have not been material for any periods presented.

Income taxes. The Company utilizes the asset and liability method for computing its income tax provision, under which deferred tax assets and liabilities are recognized for the expected future consequences of temporary differences between the financial reporting and tax bases of assets and liabilities using enacted tax rates. Management makes estimates, assumptions and judgments to determine the Company's provision for income taxes, deferred tax assets and liabilities, and any valuation losses recorded against deferred tax assets. The Company assesses the likelihood that its deferred tax assets will be recovered from future taxable income and, to the extent the Company believes recovery is not likely, establishes a valuation allowance.

The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized from such positions are then measured based on the largest benefit that has a greater than 50% likelihood of being realized upon settlement. Interest and penalties related to unrecognized tax benefits are recognized within income tax expense.

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Segment information. The Company operates as one operating segment as it only reports financial information on an aggregate and consolidated basis to its CEO, who is the Company's chief operating decision maker.

Recent accounting pronouncements

Standard	Description	Expected date of adoption	Effect on the financial statements or other significant matters
<i>Standards that are not yet adopted</i>			
Revenue from Contracts with Customers Accounting Standards Update (ASU) No. 2014-09, 2016-08, 2016-10 and 2016-12 (Topic 606)	The updated revenue standard establishes principles for recognizing revenue and develops a common revenue standard for all industries. Under the new model, recognition of revenue occurs when a customer obtains control of promised goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard requires that entities disclose the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Early adoption is permitted, but not earlier than the first quarter of 2017. The retrospective or cumulative effect transition method is permitted.	January 1, 2018	The Company completed an initial analysis of the impact of the standard on its sales contract portfolio by reviewing its current accounting policies and practices to identify potential differences that would result from applying the requirements of the new standard to its sales contracts. The Company does not anticipate a material impact on its consolidated financial statements because the analysis of its contracts under the new standard supports the recognition of most of its revenue at the time product is shipped, consistent with its current revenue policy. Although the Company is continuing to review certain aspects of its policies and practices, it expects that, as a result of the adoption of the new guidance, the timing of recognizing certain sales incentives as a reduction of revenue will generally be earlier than under the existing guidance. The Company expects to utilize the modified retrospective transition method.
Leases ASU No. 2016-02 (Topic 842)	This standard requires lessees to put most leases on their balance sheets but recognize the expenses on their income statements in a manner similar to current practice. Lessees would recognize a right-to-use asset and lease liability for all leases with terms of more than 12 months. Recognition, measurement and presentation of expenses will depend on classification as a finance or operating lease. The new standard should be applied on a modified retrospective basis.	January 1, 2019	Although the Company is currently evaluating the impact that the adoption of this standard will have on its consolidated financial statements and related disclosures, the Company currently expects that most of its operating lease commitments will be subject to the new standard and recognized as operating lease liabilities and right-of-use assets upon adoption.

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Standard	Description	Expected date of adoption	Effect on the financial statements or other significant matters
Stock Compensation ASU No. 2016-09 (Topic 718)	This standard simplifies certain aspects of the accounting for share-based payment transactions, including income taxes, classification of awards and classification on the statement of cash flows. The new guidance also allows an entity to make a policy election to account for forfeitures as they occur. Early adoption is permitted for an entity in any interim or annual period.	January 1, 2017	The adoption of the standard resulted in a net cumulative-effect adjustment of \$16.2 million to decrease accumulated deficit as of January 1, 2017, mostly related to the recognition of previously unrecognized excess tax benefits using the modified retrospective method. The previously unrecognized excess tax effects were recorded as a reduction to tax liabilities or an increase to deferred tax assets, which was fully offset by a valuation allowance. Without the valuation allowance, the Company's deferred tax assets would have increased by \$162.8 million. The Company elected to apply the change in presentation to the statements of cash flows prospectively and elected to account for forfeitures as they occur.
Income Taxes ASU No. 2016-16 (Topic 740)	This standard requires entities to recognize at the transaction date the income tax consequences of intra-entity asset transfers. Previous guidance requires the tax effects from intra-entity asset transfers to be deferred until that asset is sold to a third party or recovered through use. The updated standard is effective in annual and interim periods in fiscal years beginning after December 15, 2017, with early adoption permitted during the first interim period of a fiscal year, and requires a modified retrospective transition method.	January 1, 2018	The Company is evaluating the impact that the adoption of this standard will have on its consolidated financial statements and related disclosures.
Intangible – Goodwill and Other ASU No. 2017-04 (Topic 350)	This standard simplifies the accounting for goodwill and removes Step 2 of the annual goodwill impairment test. Upon adoption, goodwill impairment will be determined based on the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. Early adoption permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017, and requires a prospective transition method.	January 1, 2020	The Company is evaluating the impact that the adoption of this standard will have on its consolidated financial statements and related disclosures.

2. Business Acquisitions

In 2016, the Company completed acquisitions of two privately-held mobile editing application companies for total cash consideration of approximately \$104 million. The aggregate allocation of the purchase prices primarily included \$17.4 million of identifiable intangible assets, \$3.4 million of net deferred tax liabilities and approximately \$89 million of residual goodwill. Net tangible assets acquired were not material. In addition to the amounts above, aggregate deferred cash and stock compensation of up to approximately \$35 million is payable to certain continuing employees subject to meeting specified future employment conditions. This amount is being recognized as compensation expense over the requisite service periods of up to four years from the respective acquisition dates, including approximately \$22 million recognized in 2016.

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In 2015, the Company completed several acquisitions qualifying as business combinations for aggregate consideration of \$70.2 million, the substantial majority of which was cash consideration. The aggregated allocation of the purchased prices primarily included \$32.3 million of identifiable intangible assets, \$4.7 million of net deferred tax liabilities and approximately \$43.0 million of residual goodwill. Net liabilities assumed were not material.

Goodwill is primarily attributable to expected synergies in the technologies that can be leveraged by the Company in future product offerings related to device and software related offerings. Goodwill is not expected to be deductible for U.S. income tax purposes. The operating results of the acquired companies have been included in the Company's consolidated financial statements for 2016 and 2015 from the date of acquisition.

Actual and pro forma results of operations for these acquisitions have not been presented because they do not have a material impact to the Company's consolidated results of operations, either individually or in aggregate.

3. Fair value measurements

The Company's assets that are measured at fair value on a recurring basis within the fair value hierarchy are summarized as follows:

(in thousands)	December 31, 2016			December 31, 2015		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Cash equivalents ⁽¹⁾ :						
Money market funds	\$ 18,024	\$ —	\$ 18,024	\$ 51,059	\$ —	\$ 51,059
Total cash equivalents	<u>\$ 18,024</u>	<u>\$ —</u>	<u>\$ 18,024</u>	<u>\$ 51,059</u>	<u>\$ —</u>	<u>\$ 51,059</u>
Marketable securities:						
U.S. agency securities	\$ —	\$ 8,283	\$ 8,283	\$ —	\$ 14,451	\$ 14,451
Commercial paper	—	—	—	—	2,197	2,197
Corporate debt securities	—	15,226	15,226	—	165,825	165,825
Municipal securities	—	2,330	2,330	—	11,913	11,913
Total marketable securities	<u>\$ —</u>	<u>\$ 25,839</u>	<u>\$ 25,839</u>	<u>\$ —</u>	<u>\$ 194,386</u>	<u>\$ 194,386</u>

⁽¹⁾ Included in "cash and cash equivalents" in the accompanying consolidated balance sheets. Cash balances were \$174.1 million and \$228.6 million as of December 31, 2016 and December 31, 2015, respectively.

There were no transfers of financial assets between levels for the periods presented.

The remaining contractual maturities of available-for-sale marketable securities are as follows:

(in thousands)	December 31,	
	2016	2015
Less than one year	\$ 25,839	\$ 122,199
Greater than one year but less than two years	—	72,187
Total	<u>\$ 25,839</u>	<u>\$ 194,386</u>

At December 31, 2016 and 2015, the amortized cost of the Company's cash equivalents and marketable securities approximated their fair value and there were no material unrealized gains or losses, either individually or in the aggregate.

For certain other financial assets and liabilities, including accounts receivable, accounts payable and other current liabilities, the carrying amounts approximate their fair value due to the relatively short maturity of these balances.

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4. Consolidated financial statement details

The following sections and tables provide details of selected balance sheet items.

Inventory

(in thousands)	December 31,	
	2016	2015
Components	\$ 25,236	\$ 9,476
Finished goods	141,956	178,756
Total inventory	<u>\$ 167,192</u>	<u>\$ 188,232</u>

Property and equipment, net

(in thousands)	Useful life (in years)	December 31,	
		2016	2015
Leasehold improvements	3-12	\$ 48,103	\$ 40,841
Production, engineering and other equipment	4	46,328	25,174
Tooling	1-2	23,742	19,537
Computers and software	2	18,750	14,581
Furniture and office equipment	3	12,530	11,389
Tradeshow equipment and other	2-5	7,578	4,136
Construction in progress		1,870	4,632
Gross property and equipment		158,901	120,290
Less: Accumulated depreciation and amortization		<u>(82,392)</u>	<u>(50,240)</u>
Property and equipment, net		<u>\$ 76,509</u>	<u>\$ 70,050</u>

Depreciation expense was \$32.4 million, \$24.8 million and \$16.8 million in 2016, 2015 and 2014, respectively. The Company recorded accelerated depreciation charges in connection with plans to vacate certain leased office facilities as disclosed in Note 13.

Intangible assets and goodwill

(in thousands)	December 31, 2016		
	Gross carrying value	Accumulated amortization	Net carrying value
Purchased technology	\$ 47,001	\$ (17,086)	\$ 29,915
In-process research and development (IPR&D)	3,615	—	3,615
Total intangible assets	<u>\$ 50,616</u>	<u>\$ (17,086)</u>	<u>\$ 33,530</u>

(in thousands)	December 31, 2015		
	Gross carrying value	Accumulated amortization	Net carrying value
Purchased technology	\$ 32,952	\$ (8,540)	\$ 24,412
IPR&D	6,615	—	6,615
Total intangible assets	<u>\$ 39,567</u>	<u>\$ (8,540)</u>	<u>\$ 31,027</u>

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A summary of the Company's IPR&D activity during 2016 is as follows:

(in thousands)	Total
Balance at December 31, 2015	\$ 6,615
IPR&D assets acquired	4,460
Technological feasibility achieved	(1,150)
Asset impairment	(6,310)
Balance at December 31, 2016	<u>\$ 3,615</u>

Purchased technology acquired in 2016 had an estimated useful life of four years. The Company recorded impairment charges of \$6.3 million to research and development expense for IPR&D assets abandoned in the third and fourth quarters of 2016. As of December 31, 2016, technological feasibility has not been established for the remaining IPR&D assets, which have no alternative future use and, as such, continue to be accounted for as indefinite-lived intangible assets.

Amortization expense was \$9.1 million, \$4.2 million and \$1.1 million in 2016, 2015 and 2014, respectively. At December 31, 2016, the expected amortization expense of intangible assets for future periods is as follows:

(in thousands)	Total
Year ending December 31,	
2017	\$ 8,689
2018	8,297
2019	7,786
2020	4,273
2021	870
	<u>\$ 29,915</u>

The carrying amount of goodwill was \$146.5 million and \$57.1 million as of December 31, 2016 and 2015, respectively. The increase in 2016 was entirely attributable to the acquisitions described above in Note 2. There was no impairment of goodwill for any periods presented.

Other long-term assets

(in thousands)	December 31,	
	2016	2015
POP displays	\$ 27,592	\$ 27,989
Long-term deferred tax assets	106	41,936
Income tax receivable	33,425	33,206
Deposits and other	17,206	8,430
Other long-term assets	<u>\$ 78,329</u>	<u>\$ 111,561</u>

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Accrued liabilities

(in thousands)	December 31,	
	2016	2015
Accrued payables	\$ 91,655	\$ 60,738
Employee related liabilities ⁽¹⁾	42,577	27,535
Accrued sales incentives	40,070	29,298
Warranty liability	11,456	10,400
Customer deposits	4,381	8,877
Income taxes payable	2,756	7,536
Purchase order commitments	4,730	38,477
Other	13,698	9,585
Accrued liabilities	\$ 211,323	\$ 192,446

⁽¹⁾ See Note 13 for amounts associated with restructuring liabilities.

5. Financing Arrangements

In March 2016, the Company entered into a Credit Agreement (“Credit Agreement”) with JPMorgan Chase Bank, N.A., as administrative agent, Wells Fargo Bank, National Association, as co-agent, and the lender parties thereto. The Credit Agreement provides for a secured revolving credit facility (“Credit Facility”) under which the Company may borrow up to an aggregate of \$250 million and the Company and lenders may increase the total commitments under the Credit Facility to up to \$300 million, subject to certain conditions. The Credit Facility will terminate, and all outstanding borrowings become due and payable, in March 2021.

The amount that may be borrowed under the Credit Facility is based upon a borrowing base formula with respect to the Company’s inventory and accounts receivable balances. Borrowed funds accrue interest, at the Company’s election, based on an annual rate of (a) London Interbank Offered Rate (“LIBOR”) or (b) the administrative agent’s base rate, plus an applicable margin of between 1.50% and 2.00% for LIBOR rate loans, and between 0.50% and 1.00% for base rate loans, depending on the level of utilization of the Credit Facility. The Company is required to pay a commitment fee on the unused portion of the Credit Facility of 0.25% or 0.375% per annum, based on the level of utilization of the Credit Facility. Amounts owing under the Credit Agreement and related credit documents are guaranteed by the Company and its material subsidiaries. The Company and its Cayman and Netherlands subsidiaries have also granted security interests in substantially all of their assets to collateralize these obligations.

The Credit Agreement contains customary affirmative covenants, such as financial statement reporting requirements and delivery of borrowing base certificates, as well as customary covenants that limit the ability of the Company and its subsidiaries to, among other things, pay dividends, incur debt, create liens and encumbrances, make investments and redeem or repurchase stock. The Company is required to maintain a minimum fixed charge coverage ratio if and when the unborrowed availability under the Credit Facility is less than the greater of \$25.0 million or 10.0% of the borrowing base at such time. The Credit Agreement contains customary events of default, such as the failure to pay obligations when due, initiation of bankruptcy or insolvency proceedings, defaults on certain other indebtedness, change of control or breach of representations and warranties or covenants. Upon an event of default, the lenders may, subject to customary cure rights, require the immediate payment of all amounts outstanding and foreclose on collateral.

As of December 31, 2016, the Company may borrow up to approximately \$150 million under the Credit Facility and was in compliance with all financial covenants contained in the Credit Agreement. No borrowings have been made from the Credit Facility to date.

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6. Stockholders' equity

Initial public offering. In July 2014, the Company completed its IPO in which the Company issued and sold 8.9 million shares of Class A common stock at a public offering price of \$24.00 per share and the selling stockholders sold 11.6 million shares of Class A common stock, including 2.7 million shares upon the underwriters' option to purchase additional shares. The Company did not receive any proceeds from the sale of shares by the selling stockholders. The total net proceeds received by the Company from the IPO were \$200.8 million after deducting underwriting discounts and commissions.

Follow-on offering. In November 2014, the Company completed a follow-on offering in which the Company issued and sold 1.3 million shares of Class A common stock at a public offering price of \$75.00 per share and the selling stockholders sold 10.6 million shares of Class A common stock, including 1.6 million shares upon the underwriters' option to purchase additional shares. The Company did not receive any proceeds from the sale of shares by the selling stockholders. The total net proceeds received by the Company from the follow-on offering were \$93.2 million after deducting underwriting discounts and commissions.

Redeemable convertible preferred stock. Prior to the Company's IPO, the Company had 30.5 million of Series A redeemable convertible preferred stock outstanding, which were convertible into shares of Class B common stock at a rate of 1-for-1. Concurrent with the close of the IPO, those outstanding shares were converted into Class B common stock.

Common stock. Following the Company's IPO, the Company had two classes of authorized common stock: Class A common stock with 500 million shares authorized and Class B common stock with 150 million shares authorized. As of December 31, 2016, 104.6 million shares of Class A stock were issued and outstanding and 36.7 million shares of Class B stock were issued and outstanding. The rights of the holders of Class A and Class B common stock are identical, except with respect to voting power and conversion rights. Each share of Class A common stock is entitled to one vote per share and each share of Class B common stock is entitled to ten votes per share. Each share of Class B common stock is convertible at any time at the option of the stockholder into one share of Class A common stock and has no expiration date. The Class B common stock is also convertible into Class A common stock on the same basis upon any transfer, whether or not for value, except for "permitted transfers" as defined in the Company's restated certificate of incorporation. Each share of Class B common stock will convert automatically into one share of Class A common stock upon the date when the outstanding shares of Class B common stock represent less than 10% of the aggregate number of shares of common stock then outstanding. As of December 31, 2016, the Class B stock continued to represent greater than 10% of the overall outstanding shares.

The Company had the following shares of common stock reserved for issuance upon the exercise of equity instruments as of December 31, 2016:

(in thousands)	December 31, 2016
Stock options outstanding	12,379
Restricted stock units outstanding	7,970
Common stock available for future grants	20,685
Total common stock shares reserved for issuance	41,034

Stock repurchase program. The stock repurchase program authorized by the Company's board of directors in September 2015 to repurchase up to \$300 million of the Company's Class A common stock expired on September 30, 2016 and has not been renewed. The repurchase program did not obligate the Company to acquire any specific number of shares. Under the program, the Company repurchased approximately 1.5 million shares of its common stock at an average price of \$23.05 per share, for an aggregate purchase price of approximately \$35.6 million. The Company holds the repurchased shares as treasury stock.

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CEO stock contributions. In the first half of 2015, the CEO contributed an aggregate 5.2 million common stock to the Company without consideration per the terms of a Contribution Agreement dated December 28, 2011, and amended on May 11, 2015. Under the original Contribution Agreement, the CEO agreed to contribute back to the Company from time-to-time the same number of shares of common stock as are issued to a certain Company employee upon the exercise of certain stock options held by such employee. Pursuant to this agreement, the CEO contributed back to the Company 0.5 million shares of Class B common stock from January 2015 through April 2015. In May 2015, the CEO contributed back to the Company 4.7 million shares of Class B common stock pursuant to the amended agreement, representing all of the then remaining shares subject to the contribution obligations. All of the shares contributed by the CEO were retired during the year.

7. Employee benefit plans

Equity incentive plans. The Company has outstanding equity grants from its three stock-based employee compensation plans: the 2014 Equity Incentive Plan (2014 Plan), the 2010 Equity Incentive Plan (2010 Plan) and the 2014 Employee Stock Purchase Plan (ESPP). In 2014, the Company terminated the authority to grant new awards under the 2010 Plan and no new options or awards have been granted under the 2010 Plan since June 2014. Outstanding options and awards under the 2010 Plan continue to be subject to the terms and conditions of the 2010 Plan.

The 2014 Plan serves as the successor to the 2010 Plan and provides for the granting of incentive and nonqualified stock options, restricted stock awards (RSAs), restricted stock units (RSUs), stock appreciation rights, stock bonus awards and performance awards to qualified employees, non-employee directors and consultants. Options granted under the 2014 Plan generally expire within 10 years from the date of grant and generally vest over four years and are exercisable for shares of the Company's Class A stock. Options with performance or market-based conditions are generally subject to a required service period along with the performance or market condition. RSUs granted under the 2014 Plan generally vest annually over a four year period based upon continued service and are settled at vesting in shares of the Company's Class A common stock.

The ESPP allows eligible employees to purchase shares of the Company's Class A common stock through payroll deductions at a price equal to 85% of the lesser of the fair market values of the stock as of the first date or the ending date of each six-month offering period. The 2014 Plan and the ESPP also provides for automatic annual increases in the number of shares reserved for future issuance.

Employee retirement plan. The Company has a defined contribution retirement plan covering U.S. and other international full-time employees that provides for voluntary employee contributions from 1% to 86% of annual compensation, subject to a maximum limit allowed by Internal Revenue Service guidelines. The Company matches 100% of each employee's contributions up to a maximum of 4% of the employee's eligible compensation. The Company's matching contributions to the plan were \$7.2 million, \$5.5 million and \$2.7 million in 2016, 2015 and 2014, respectively.

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Stock options

A summary of the Company's stock option activity in 2016 is as follows:

	Options outstanding			
	Shares (in thousands)	Weighted- average exercise price	Weighted- average remaining contractual term (in years)	Aggregate intrinsic value (in thousands)
Outstanding at December 31, 2015:	13,081	\$ 11.82	6.70	\$ 108,846
Granted	2,573	11.27		
Exercised	(1,733)	2.05		
Forfeited/Cancelled	(1,542)	19.07		
Outstanding at December 31, 2016:	<u>12,379</u>	\$ 12.17	5.97	\$ 32,772
Vested and expected to vest at December 31, 2016	<u>12,245</u>	\$ 12.12	5.95	\$ 32,772
Exercisable at December 31, 2016	<u>8,952</u>	\$ 10.37	5.36	\$ 32,771

The weighted average grant date fair value of all options granted and assumed were \$4.84, \$18.40 and \$11.51 per share in 2016, 2015 and 2014, respectively. The total fair value of all options vested was \$27.2 million, \$26.9 million and \$16.0 million in 2016, 2015 and 2014, respectively. The aggregate intrinsic value of the stock options outstanding as of December 31, 2016 represented the value of the Company's closing stock price on the last trading day of the year in excess of the exercise price multiplied by the number of options outstanding.

Restricted stock units

A summary of the Company's RSU activity in 2016 and 2015 is as follows:

	Shares (in thousands)	Weighted- average grant date fair value
Non-vested shares at December 31, 2014	4,307	\$ 21.98
Granted	2,170	44.00
Vested	(1,735)	19.84
Forfeited	(104)	63.47
Non-vested shares at December 31, 2015	4,638	32.15
Granted	7,354	12.10
Vested	(2,075)	23.87
Forfeited	(1,947)	22.85
Non-vested shares at December 31, 2016	<u>7,970</u>	\$ 18.08

In June 2014, the Company granted an award of 4.5 million RSUs covering shares of the Company's Class B common stock to the Company's CEO (CEO RSUs), which included 1.5 million RSUs that vested immediately upon grant and 3.0 million RSUs that were subject to both a market-based vesting condition and a three-year service-based vesting condition. The market-based condition was achieved in January 2015. Stock-based compensation expense related to the CEO RSUs was \$6.4 million, \$29.4 million and \$38.3 million for 2016, 2015 and 2014, respectively.

Employee stock purchase plan In 2016 and 2015, the Company issued 668,107 and 436,924 shares under its ESPP at weighted average prices of \$9.15 and \$26.88, respectively. The weighted-average fair value of each

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right to purchase shares of the Company's Class A common stock granted under the ESPP was \$3.99, \$15.76 and \$7.16 in 2016, 2015 and 2014, respectively.

Fair value disclosures The fair value of stock options granted and purchases under the Company's ESPP is estimated using the Black-Scholes option pricing model. Expected term of stock options granted was estimated based on the simplified method. Expected stock price volatility was estimated by taking the average historic price volatility for industry peers based on daily price observations over a period equivalent to the expected term. Risk-free interest rate was based on the yields of U.S. Treasury securities with maturities similar to the expected term. Dividend yield was zero as the Company does not have any history of, nor plans to make, dividend payments.

The fair value of stock options granted was estimated as of the grant date using the following assumptions:

	Year ended December 31,		
	2016	2015	2014
Volatility	44% – 45%	43% – 54%	54% – 56%
Expected term (years)	5.2 – 6.1	5.5 – 7.0	5.3 – 6.3
Risk-free interest rate	1.2% – 2.0%	1.6% – 2.0%	1.7% – 2.0%
Dividend yield	—%	—%	—%

The fair value of stock purchase rights granted under the ESPP was estimated using the following assumptions:

	Year ended December 31,		
	2016	2015	2014
Volatility	43% – 54%	39% – 45%	45.5%
Expected term (years)	0.5	0.5	0.6
Risk-free interest rate	0.4% – 0.5%	0.1% – 0.2%	0.1%
Dividend yield	—%	—%	—%

During 2014, the Company used a Monte Carlo valuation model to calculate the fair value of the CEO RSUs subject to a market condition based on the following assumptions: expected term of 10 years, expected volatility of 50.9%, risk-free interest rate of 2.69%, and a grant date fair value of \$18.40 for the underlying shares.

Stock-based compensation expense. The following table summarizes stock-based compensation included in the consolidated statements of operations:

(in thousands)	Year ended December 31,		
	2016	2015	2014
Cost of revenue	\$ 1,616	\$ 1,492	\$ 835
Research and development	31,365	18,024	11,640
Sales and marketing	13,883	13,762	10,428
General and administrative	22,663	47,402	48,496
Total stock-based compensation expense	<u>\$ 69,527</u>	<u>\$ 80,680</u>	<u>\$ 71,399</u>

The income tax benefit related to stock-based compensation expense was zero, \$28.0 million and \$19.5 million for 2016, 2015 and 2014, respectively. There is no current year tax benefit due to a full valuation allowance on U.S. net deferred tax assets (see Note 9 below).

At December 31, 2016, total unearned stock-based compensation of \$116.3 million related to stock options, RSUs and ESPP shares is expected to be recognized over a weighted average period of 2.6 years.

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8. Net income (loss) per share

Basic net income per share attributable to common stockholders is computed by dividing the net income attributable to common stockholders by the weighted-average number of common shares outstanding during the period. All participating securities are excluded from basic weighted average common shares outstanding. The Company considers shares issued upon the early exercise of options subject to repurchase and non-vested restricted shares to be participating securities, because holders of such shares have a non-forfeitable right to dividends. Additionally, prior to the Company's IPO and their conversion, the Company considered its redeemable convertible preferred stock to be participating securities due to their non-cumulative dividend rights.

Diluted net income per share attributable to common stockholders is computed by dividing the net income attributable to common stockholders by the weighted-average number of common shares outstanding, including all potentially dilutive common shares.

Undistributed earnings are allocated based on the contractual participation rights of Class A and Class B as if the earnings for the year have been distributed. As the liquidation and dividend rights are identical, the undistributed earnings are allocated on a proportionate basis. The computation of the diluted net income per share of Class A common stock assumes the conversion of Class B common stock.

The following table presents the calculations of basic and diluted net income (loss) per share:

(in thousands, except per share data)	Year ended December 31,		
	2016	2015	2014
Numerator:			
Allocation of net income (loss)	\$ (419,003)	\$ 36,131	\$ 128,088
Less: net income allocable to participating securities	—	—	16,512
Net income (loss) attributable to common stockholders – basic	(419,003)	36,131	111,576
Add: net income allocable to dilutive participating securities	—	—	2,277
Net income (loss) attributable to common stockholders – diluted	\$ (419,003)	\$ 36,131	\$ 113,853
Denominator:			
Weighted-average common shares – basic for Class A and Class B common stock	139,425	134,595	104,453
Stock options, RSU's and ESPP shares	—	11,891	19,177
Weighted-average common shares – diluted for Class A and Class B common stock	139,425	146,486	123,630
Net income (loss) per share attributable to common stockholders:			
Basic	\$ (3.01)	\$ 0.27	\$ 1.07
Diluted	\$ (3.01)	\$ 0.25	\$ 0.92

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The following potentially dilutive shares were not included in the calculation of diluted shares outstanding as the effect would have been anti-dilutive:

(in thousands)	Year ended December 31,		
	2016	2015	2014
Stock options, RSUs and ESPP shares	21,000	2,681	15,921

9. Income taxes

Income before income taxes consisted of the following:

(in thousands)	Year ended December 31,		
	2016	2015	2014
Domestic	\$ (200,595)	\$ 13,562	\$ 114,937
Foreign	(174,579)	39,023	66,038
	<u>\$ (375,174)</u>	<u>\$ 52,585</u>	<u>\$ 180,975</u>

Income tax expense consisted of the following:

(in thousands)	Year ended December 31,		
	2016	2015	2014
Current:			
Federal	\$ (2,925)	\$ 18,548	\$ 55,846
State	(356)	3,007	6,075
Foreign	8,542	6,539	8,219
Total current	<u>5,261</u>	<u>28,094</u>	<u>70,140</u>
Deferred:			
Federal	37,573	(11,211)	(13,551)
State	4,436	(204)	(3,369)
Foreign	(3,441)	(225)	(333)
Total deferred	<u>38,568</u>	<u>(11,640)</u>	<u>(17,253)</u>
Income tax expense	<u>\$ 43,829</u>	<u>\$ 16,454</u>	<u>\$ 52,887</u>

As of December 31, 2016, \$3.3 million of earnings had been indefinitely reinvested outside the U.S., primarily in active non-U.S. business operations. We do not intend to repatriate these earnings to fund U.S. operations and, accordingly, we do not provide for U.S. federal income and foreign withholding tax on these earnings.

(in thousands, except percentage)	Year ended December 31,					
	2016		2015		2014	
	\$	%	\$	%	\$	%
Reconciliation to statutory rate:						
Tax at federal statutory rate	\$ (131,311)	(35.0)%	\$ 18,405	35.0%	\$ 63,341	35.0%
Change in valuation allowance	101,878	27.2	8,555	16.3	—	—
Impact of foreign operations	84,491	22.5	6,434	12.2	(13,305)	(7.4)
Stock-based compensation	15,718	4.2	2,390	4.5	8,050	4.4
State taxes, net of federal benefit	(14,195)	(3.8)	1,454	2.8	4,911	2.7
Tax credits	(12,992)	(3.5)	(21,891)	(41.6)	(10,616)	(5.9)
Other	240	0.1	1,107	2.1	506	0.4
Income tax provision at effective tax rate	<u>\$ 43,829</u>	<u>11.7%</u>	<u>\$ 16,454</u>	<u>31.3%</u>	<u>\$ 52,887</u>	<u>29.2%</u>

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The lower effective tax rates of 2016 compared to 2015 resulted from a significant benefit on pre-tax book losses, offset by the establishment of a valuation allowance on all U.S. federal and state net deferred tax assets and by income taxes paid at lower rates in profitable foreign jurisdictions (primarily wholly owned subsidiaries in Europe). The provision for income taxes in each period has differed from the tax computed at U.S. federal statutory tax rates due to change in valuation allowance, the effect of non-U.S. operations, deductible and non-deductible stock-based compensation expense, states taxes, federal research and development tax credits, and other adjustments.

The higher effective tax rate for 2015 compared to 2014 was due to higher U.S. taxable income and lower international taxable income, which resulted from incurring a higher proportion of our 2015 operating expenses in foreign jurisdictions. Additionally, the effective tax rate for 2015 was lower than the federal statutory rate of 35% primarily due to benefits from research and development tax credits.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities were as follows:

(in thousands)	December 31,	
	2016	2015
Deferred tax assets:		
Net operating loss carryforwards	\$ 30,193	\$ 339
Tax credit carryforwards	22,341	9,372
Stock-based compensation	26,656	19,096
Allowance for returns	6,336	8,812
Accruals and reserves	26,587	20,398
Total deferred tax assets	112,113	58,017
Valuation allowance	(110,433)	(8,555)
Total deferred tax assets, net of valuation allowance	1,680	49,462
Deferred tax liabilities:		
Depreciation and amortization	(1,714)	(6,937)
Intangible assets	(2,540)	(2,904)
Total deferred tax liabilities	(4,254)	(9,841)
Net deferred tax assets (liabilities)	\$ (2,574)	\$ 39,621

Recognition of deferred tax assets is appropriate when realization of such assets is more likely than not. Based upon the weight of available evidence, the Company believes it is not more likely that not that the U.S. deferred tax assets will be realized. Accordingly, a full valuation allowance is established against U.S. deferred tax assets. The foreign deferred tax assets in each jurisdiction are minimal and are supported by taxable income or in the case of acquired companies, by the future reversal of deferred tax liabilities. It is more likely than not that the Company's foreign deferred tax assets will be realized and thus, no valuation allowance is required on foreign deferred tax assets. The Company will continue to assess the realizability of the deferred tax assets in each of the applicable jurisdictions going forward. The Company's valuation allowance increased by \$101.9 million to \$110.4 million as of December 31, 2016, primarily due to the establishment of a full valuation allowance on all U.S. federal and state deferred tax assets. As of December 31, 2015, the Company had established a valuation allowance of \$8.6 million for state research tax credits.

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As of December 31, 2016, the Company's federal, California and other state net operating loss carryforwards for income tax purposes were \$467.2 million, \$201.5 million and \$207.3 million, respectively and federal and California state tax credit carryforwards were \$32.5 million and \$27.9 million, respectively. If not utilized, federal loss, federal credit and California loss carryforwards will begin to expire from 2030 to 2036, while other state loss carryforwards will begin to expire from 2019 to 2036. California tax credits may be carried forward indefinitely.

Under the provisions of §382 of the Internal Revenue Code, a change of control may impose an annual limitation on the amount of the Company's net operating loss and tax credit carryforwards that can be used to reduce future tax liabilities. Of the Company's total \$467.2 million federal and state net operating loss carryforwards, approximately \$8 million was from one of our 2016 acquisitions. These acquired tax attributes are subject to an annual limitation of \$1.7 million per year for federal purposes and will begin to expire in the year 2034, if not utilized.

Uncertain income tax positions. The Company had gross unrecognized tax benefits of \$56.9 million, \$36.3 million and \$16.6 million, as of December 31, 2016, 2015 and 2014, respectively. For fiscal 2016, 2015 and 2014, total unrecognized income tax benefits in an amount of \$24.1 million, \$31.0 million and \$16.6 million, respectively, if recognized, would reduce income tax expense after considering the impact of the change in valuation allowance in the U.S. A material portion of our gross unrecognized tax benefits, if recognized, would increase the Company's net operating loss carryforward, which would be offset by a full valuation allowance based on present circumstances.

These unrecognized tax benefits relate primarily to unresolved matters with taxing authorities regarding the Company's transfer pricing positions and tax positions based on the Company's interpretation of certain U.S. trial and appellate court decisions, which remain subject to appeal and therefore could be overturned in future periods. The Company's existing tax positions will continue to generate an increase in unrecognized tax benefits in subsequent periods. Management believes events that could occur in the next 12 months and cause a material change in unrecognized tax benefits include, but are not limited to, the completion of examinations by the U.S. or foreign taxing authorities and the expiration of statute of limitations on the Company's tax returns. Although the completion, settlement and closure of any audits is uncertain, it is reasonably possible that the total amount of unrecognized tax benefits will materially increase within the next 12 months. However, given the number of years remaining that are subject to examination, the range of the reasonably possible change cannot be estimated reliably.

A reconciliation of the beginning and ending amount of the unrecognized income tax benefits are as follows:

(in thousands)	December 31,		
	2016	2015	2014
Gross balance at January 1	\$ 36,273	\$ 16,558	\$ 9,898
Gross increase related to current year tax positions	20,594	19,948	6,401
Gross increase related to prior year tax positions	130	108	259
Gross decrease related to prior year tax positions	(88)	(341)	—
	\$ 56,909	\$ 36,273	\$ 16,558

The Company's policy is to account for interest and penalties related to income tax liabilities within the provision for income taxes. The balances of accrued interest and penalties recorded in the balance sheets and provision for income taxes were not material for any period presented.

The Company files income tax returns in the U.S. and non-U.S. jurisdictions. The Company is subject to federal, state and foreign income tax examinations for calendar tax years ending 2012 through 2015. The tax authorities could choose to audit the tax years beyond the statute of limitation period due to tax attribute carryforwards from prior years, making adjustments only to carryforward attributes. The Company is currently under examination by the Internal Revenue Service for the 2012 through 2015 tax years. At this time, the Company is not able to

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estimate the potential impact that the examination may have on income tax expense. If the examination is resolved unfavorably, there is a possibility it may have a material negative impact on the Company's results of operations.

10. Related party transactions

The Company incurs costs for Company-related chartered aircraft fees for the use of the CEO's private plane. The Company recorded expense of \$0.5 million, \$0.7 million and \$0.6 million in 2016, 2015 and 2014, respectively. As of December 31, 2016 and 2015, the Company had accounts payable associated with these aircraft fees of zero and \$0.1 million, respectively.

In 2013, the Company entered into a three-year agreement, which was amended in July 2016 to continue through the end of 2016, with a company affiliated with the son of one of the members of the Company's board of directors to acquire certain naming rights to a kart racing facility. As consideration for these naming rights, the Company paid \$0.6 million over the three year period. As of December 31, 2016, the Company has recorded cumulative expense of \$0.6 million, and has also provided 100 GoPro cameras at no cost each year. As of December 31, 2016 and 2015, the Company had no accounts payable associated with this agreement.

In 2016, the Company obtained services from a vendor whose CEO is also one of the members of the Company's board of directors. The Company recorded expense of \$0.4 million in 2016. As of December 31, 2016, the Company had accounts payable associated with this vendor of \$0.3 million.

The Company has agreements for certain contract manufacturing and engineering services with a vendor affiliated with one of the Company's investors. The Company made payments of zero, \$0.2 million and \$12.2 million to this vendor in 2016, 2015 and 2014, respectively. As of December 31, 2016 and 2015, the Company had no accounts payable associated with this vendor.

In June 2014, the CEO purchased seven automobiles from the Company for a total purchase price of \$0.3 million, which was equal to the deemed fair value of the automobiles purchased. There have been no additional purchases in 2016 and 2015.

In the second quarter of 2013, the Company loaned one of its executive officers \$0.2 million pursuant to a demand payment loan that did not bear interest, which was fully repaid in March, 2014.

See Notes 6 and 7 above for information regarding CEO RSUs and Class B common stock contributed by the CEO back to the Company.

11. Commitments, contingencies and guarantees

The Company enters into multi-year agreements to lease facilities, purchase sponsorships with event organizers, resorts and athletes as part of its marketing efforts; software licenses related to its financial and IT systems; and various other contractual commitments.

In May 2016, the Company entered into a 3.5 year agreement with Red Bull GmbH (Red Bull) that includes content production, distribution and cross-promotion. As part of the agreement, the Company issued unregistered restricted shares of its Class A common stock to Red Bull with a fair value of approximately \$7 million, which is being expensed ratably over one-year as a component of sales and marketing expense. Over the term of the agreement, Red Bull will also receive cash consideration, which is included in the other contractual commitments section of the table below.

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The following table summarizes the Company's total undiscounted future expected obligations under multi-year agreements with terms longer than one year:

(in thousands)	Total	2017	2018	2019	2020	2021	Thereafter
Operating leases ⁽¹⁾	\$ 139,511	\$ 16,972	\$ 20,345	\$ 13,896	\$ 17,157	\$ 16,770	\$ 54,371
Sponsorship commitments ⁽²⁾	14,500	7,449	4,134	2,917	—	—	—
Other contractual commitments ⁽³⁾	39,189	11,744	14,723	12,722	—	—	—
Total contractual cash obligations	<u>\$ 193,200</u>	<u>\$ 36,165</u>	<u>\$ 39,202</u>	<u>\$ 29,535</u>	<u>\$ 17,157</u>	<u>\$ 16,770</u>	<u>\$ 54,371</u>

⁽¹⁾ The Company leases its facilities under long-term operating leases, which expire at various dates through 2027.

⁽²⁾ The Company enters into multi-year sponsorship agreements with event organizers, resorts and athletes as part of its marketing efforts.

⁽³⁾ The Company enters into other contractual commitments, including the multi-year agreement with Red Bull, as well as software licenses related to the Company's financial and IT systems which require payments over several years.

In 2016, the Company entered into sub-lease agreements for its office facilities that decreased the Company's total future minimum lease payments by sub-lease rentals of approximately \$6 million, which approximates the corresponding remaining lease rentals.

Rent expense was \$19.8 million, \$12.2 million and \$7.3 million for 2016, 2015 and 2014, respectively.

Product warranty

The following table summarizes the warranty liability activity:

(in thousands)	Year ended December 31,		
	2016	2015	2014
Beginning balances	\$ 10,856	\$ 6,405	\$ 3,870
Charged to cost of revenue	19,272	25,377	10,268
Settlements of warranty claims	(18,183)	(20,926)	(7,733)
Ending balances	<u>\$ 11,945</u>	<u>\$ 10,856</u>	<u>\$ 6,405</u>

At December 31, 2016, \$11.5 million of the warranty liability was recorded as an element of accrued liabilities and \$0.5 million was recorded as an element of other long-term liabilities.

Legal proceedings. From time to time, the Company is involved in legal proceedings in the ordinary course of business. Due to inherent uncertainties of litigation, the Company cannot accurately predict the ultimate outcome of these matters. The Company is unable at this time to determine whether the outcome of the litigation would have a material impact on the results of operations, financial condition or cash flows of the Company.

Indemnifications. In the normal course of business, the Company enters into agreements that contain a variety of representations and warranties and provide for general indemnification. The Company's exposure under these agreements is unknown because it involves claims that may be made against the Company in the future, but have not yet been made. It is not possible to determine the maximum potential amount under these indemnification agreements due to the Company's limited history with indemnification claims and the unique facts and circumstances involved in each particular agreement. As of December 31, 2016, the Company has not paid any claims nor has it been required to defend any action related to its indemnification obligations. However, the Company may record charges in the future as a result of these indemnification obligations.

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12. Concentrations of risk and geographic information

Customer concentration. Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of trade receivables. The Company's management believes that credit risk for accounts receivable is mitigated by the Company's credit evaluation process, relatively short collection terms and dispersion of its customer base. The Company generally does not require collateral and losses on trade receivables have historically been within management's expectations.

Customers who represented 10% or more of the Company's net accounts receivable balance were as follows:

	December 31,	
	2016	2015
Customer A	15%	*
Customer B	27%	40%
Customer C	*	18%

*Less than 10% of total accounts receivable for the period indicated

The following table summarizes the Company's accounts receivables sold, without recourse, and factoring fees paid:

(in thousands)	Year ended December 31,		
	2016	2015	2014
Accounts receivable sold	\$ 167,769	\$ 194,223	\$ 250,437
Factoring fees	1,266	1,566	2,148

Customers who represented 10% or more of the Company's total revenue were as follows:

	Year ended December 31,		
	2016	2015	2014
Customer A	17%	14%	20%
Customer B	11%	12%	*

*Less than 10% of total revenue for the period indicated

Supplier concentration. The Company relies on third parties for the supply and manufacture of its products, some of which are sole-source suppliers. The Company's management believes that outsourcing manufacturing enables greater scale and flexibility. As demand and product lines change, the Company periodically evaluates the need and advisability of adding manufacturers to support its operations. In instances where a supply and manufacture agreement does not exist or suppliers fail to perform their obligations, the Company may be unable to find alternative suppliers or satisfactorily deliver its products to its customers on time, if at all. The Company also relies on third parties with whom it outsources supply chain activities related to inventory warehousing, order fulfillment, distribution and other direct sales logistics.

Geographic information

Revenue by geographic region, based on ship-to destinations, was as follows:

(in thousands)	Year ended December 31,		
	2016	2015	2014
Americas	\$ 619,784	\$ 868,772	\$ 890,352
EMEA	366,352	535,260	371,197
APAC	199,345	215,939	132,656
Total revenue	<u>\$ 1,185,481</u>	<u>\$ 1,619,971</u>	<u>\$ 1,394,205</u>

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Revenue in the United States, which is included in the Americas geographic region, was \$554.9 million, \$769.2 million and \$796.0 million for 2016, 2015 and 2014, respectively. No other individual country exceeded 10% of total revenue for any period presented. The Company does not disclose revenue by product category as it does not track sales incentives and other revenue adjustments by product category to report such data.

As of December 31, 2016 and 2015 long-lived assets, which represent gross property and equipment, located outside the United States, primarily in Hong Kong and China, were \$76.6 million and \$47.6 million, respectively.

13. Restructuring charges and other exit costs

First quarter 2016 restructuring. On January 12, 2016, the Company approved a restructuring that provided for a reduction in the Company's global workforce of approximately 7%. The Company incurred aggregate restructuring expenses of \$6.5 million in the first quarter of 2016, which primarily included cash-based severance costs. The plan was substantially completed as of March 31, 2016 and all costs have been paid.

Fourth quarter 2016 restructuring. On November 29, 2016, the Company approved a restructuring to reduce future operating expenses and achieve its goal of returning to profitability. The restructuring provided for a reduction of the Company's global workforce of approximately 15%, the closure of the Company's entertainment group to concentrate on its core business, and the consolidation of certain leased office facilities. The Company estimates that it will incur total aggregate charges of approximately \$40 million for the restructuring. The Company expects actions associated with the restructuring will be substantially completed in the first half of 2017.

Restructuring charges of approximately \$36.6 million were recorded in the fourth quarter of 2016, which was comprised of the following:

(in thousands)	Amount
Employee severance pay and related costs ⁽¹⁾	\$ 18,893
Non-cash acceleration of stock-based compensation expense ⁽¹⁾	15,566
Non-cancelable leases, accelerated depreciation and other charges	2,122
Total restructuring charges	\$ 36,581

⁽¹⁾ Includes total charges of \$11.4 million (including \$8.8 million for accelerated equity awards) associated with the departure of the Company's former President.

The following table provides a summary of the Company's restructuring activities in the fourth quarter of 2016 and the related liabilities recorded in accrued liabilities on the consolidated balance sheet. The Company expects to pay out its restructuring liability for severance in the first half of 2017.

(in thousands)	Severance	Other	Total
Restructuring liability as of October 1, 2016	\$ —	\$ —	\$ —
Restructuring charges	18,893	879	19,772
Cash paid	(8,440)	—	(8,440)
Non-cash settlements	(793)	—	(793)
Restructuring liability as of December 31, 2016	\$ 9,660	\$ 879	\$ 10,539

GoPro, Inc.
Notes to Consolidated Financial Statements

Restructuring charges

The following table summarizes total 2016 restructuring charges in the consolidated statements of operations:

(in thousands)	Amount
Cost of revenue	\$ 497
Research and development	17,197
Sales and marketing	12,064
General and administrative	13,331
Total restructuring charges	<u>\$ 43,089</u>

Other exit costs. In addition to the restructuring actions above, in the second and third quarters of 2016, the Company committed to plans to vacate and sublet certain leased office facilities. Changes in estimated useful life of associated leasehold improvements and office equipment are expected to result in accelerated depreciation expense of approximately \$10 million, including \$6.0 million recorded in 2016 and \$4.0 million ratably over an estimated remaining period of 8 months.

Schedule II

GoPro, Inc.

VALUATION AND QUALIFYING ACCOUNTS

For the years ended December 31, 2016, 2015 and 2014

(in thousands)	Balance at Beginning of Year	Charges to Revenue	Charges to Expense	Deductions/ Write-offs	Balance at End of Year
Allowance for doubtful accounts receivable:					
Year ended December 31, 2016	\$ 1,400	\$ —	\$ 40	\$ (159)	\$ 1,281
Year ended December 31, 2015	1,250	—	682	(532)	1,400
Year ended December 31, 2014	520	—	970	(240)	1,250
Allowance for sales returns:					
Year ended December 31, 2016	\$ 26,280	\$ 35,136	\$ (41,378)	\$ —	\$ 20,038
Year ended December 31, 2015	25,747	48,182	(47,649)	—	26,280
Year ended December 31, 2014	14,352	39,011	(27,616)	—	25,747
Valuation allowance for deferred tax assets:					
Year ended December 31, 2016	\$ 8,555	\$ —	\$ 101,878	\$ —	\$ 110,433
Year ended December 31, 2015	—	—	8,555	—	8,555

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2016. Based on the evaluation of our disclosure controls and procedures as of December 31, 2016, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Management’s Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Our management conducted an assessment of the effectiveness of our internal control over financial reporting based on the criteria established in “Internal Control – Integrated Framework” (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on that assessment, our management has concluded that our internal control over financial reporting was effective as of December 31, 2016. The effectiveness of the Company’s internal control

over financial reporting as of December 31, 2016 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting identified in connection with the evaluation required by Rules 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the three months ended December 31, 2016 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management, including the CEO and CFO, recognizes that our disclosure controls and procedures or our internal control over financial reporting cannot prevent or detect all possible instances of errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required for this Item is incorporated by reference from our Proxy Statement to be filed for our 2017 Annual Meeting of Stockholders within 120 days after the end of the fiscal year ended December 31, 2016.

Item 11. Executive Compensation

The information required for this Item is incorporated by reference from our Proxy Statement to be filed for our 2017 Annual Meeting of Stockholders within 120 days after the end of the fiscal year ended December 31, 2016.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required for this Item is incorporated by reference from our Proxy Statement to be filed for our 2017 Annual Meeting of Stockholders within 120 days after the end of the fiscal year ended December 31, 2016.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required for this Item is incorporated by reference from our Proxy Statement to be filed for our 2017 Annual Meeting of Stockholders within 120 days after the end of the fiscal year ended December 31, 2016.

Item 14. Principal Accounting Fees and Services

The information required for this Item is incorporated by reference from our Proxy Statement to be filed for our 2017 Annual Meeting of Stockholders within 120 days after the end of the fiscal year ended December 31, 2016.

PART IV

Item 15. Exhibits, Financial Statement Schedules

1. Financial Statements

The financial statements filed as part of this report are listed in the “Index to Financial Statements” under Part II, Item 8 of this report.

2. Financial Statement Schedules

All schedules are omitted as the required information is inapplicable or the information is presented in the Consolidated Financial Statements or Notes to Consolidated Financial Statements under Item 8.

3. Exhibits

The information required by this item is set forth on the exhibit index which follows the signature page of this report.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: February 16, 2017

GoPro, Inc.
(Registrant)
By: /s/ Nicholas Woodman

Nicholas Woodman
Chief Executive Officer
(Principal Executive Officer)

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Nicholas Woodman and Brian McGee, and each of them, as his true and lawful attorneys-in-fact, proxies and agents, each with full power of substitution, for him in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact, proxies and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully for all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact, proxies and agents, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

	Name	Title	Date
By:	/s/ Nicholas Woodman Nicholas Woodman	Chief Executive Officer and Chairman <i>(Principal Executive Officer)</i>	February 16, 2017
By:	/s/ Brian McGee Brian McGee	Chief Financial Officer <i>(Principal Financial and Accounting Officer)</i>	February 16, 2017
By:	/s/ Anthony Bates Anthony Bates	Director	February 16, 2017
By:	/s/ Michael Marks Michael Marks	Director	February 16, 2017
By:	/s/ Peter Gotcher Peter Gotcher	Director	February 16, 2017
By:	/s/ Edward Gilhuly Edward Gilhuly	Director	February 16, 2017
By:	/s/ Kenneth Goldman Kenneth Goldman	Director	February 16, 2017
By:	/s/ Alexander Lurie Alexander Lurie	Director	February 16, 2017
By:	/s/ Lauren Zalaznick Lauren Zalaznick	Director	February 16, 2017

EXHIBIT INDEX

Exhibit Number	Exhibit Title	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
3.01	Restated Certificate of Incorporation of the Registrant.	S-1	333-200038	3.01	November 10, 2014	
3.02	Amended and Restated Bylaws of the Registrant.	S-1	333-200038	3.02	November 10, 2014	
4.01	Form of Registrant's Class A common stock certificate.	S-1	333-196083	4.01	May 19, 2014	
4.02	Investors' Rights Agreement, dated as of February 26, 2011, by and among the Registrant and certain investors, as amended.	S-1	333-196083	4.02	May 19, 2014	
10.01*	Form of Indemnity Agreement by and between the Registrant and each of its directors and executive officers.	S-1	333-196083	10.01	May 19, 2014	
10.02*	Form of Change in Control Severance Agreement.	S-1	333-196083	10.09	May 19, 2014	
10.03*	2010 Equity Incentive Plan, as amended, and form of stock option agreement and restricted stock unit agreement.	S-1	333-196083	10.02	May 19, 2014	
10.04*	2014 Equity Incentive Plan, as amended, and forms thereunder.	10-Q	001-36514	10.03	July 29, 2016	
10.05*	2014 Employee Stock Purchase Plan and forms thereunder.	S-1/A	333-196083	10.04	June 11, 2014	
10.06*	Employment Letter to Nicholas Woodman from the Registrant, dated June 2, 2014.	S-1/A	333-196083	10.16	June 11, 2014	
10.07*	Offer Letter to Jack Lazar from the Registrant, dated January 17, 2014.	S-1	333-196083	10.07	May 19, 2014	
10.08*	Amended and Restated Change in Control Severance Agreement dated June 8, 2014, by and between Jack Lazar and the Registrant.	S-1/A	333-196083	10.01	June 11, 2014	
10.09*	Offer Letter to Sharon Zezima from the Registrant, dated August 23, 2013.	S-1	333-196083	10.08	May 19, 2014	
10.10*	Amended and Restated Offer Letter to Anthony Bates from the Registrant, effective as of October 23, 2014.	S-1	333-200038	10.16	November 10, 2014	
10.11*	Separation Agreement and Release of Claims dated December 15, 2016 by and between Anthony Bates and the Registrant.	8-K	001-36514	10.01	December 20, 2016	
10.12*	Offer Letter to Brian McGee from the Registrant, dated September 3, 2015.					X
10.13*	Offer Letter to Charles Prober from Registrant, dated May 28, 2014.					X
10.14	Office Lease Agreement, dated as of November 1, 2011, by and between Locon San Mateo, LLC and the Registrant, as amended, and other leases for the Registrant's headquarters.	S-1	333-196083	10.12	May 19, 2014	
10.15	Eighth amendment to Office Lease Agreement, by and between RAR2 – Clearview Business Park Owner QRS, LLC and the Registrant, dated February 24, 2016.					X
10.16	Ninth amendment to Office Lease Agreement, by and between RAR2 – Clearview Business Park Owner QRS, LLC and the Registrant, dated August 3, 2016.					X
10.17	Credit Agreement by and among Registrant, the Lenders party thereto and JPMorgan Chase Bank, N.A. dated March 25, 2016.	10-Q	001-36514	10.17	May 6, 2016	
21.01	List of Subsidiaries.					X
23.01	Consent of Independent Registered Public Accounting Firm.					X

24.01	Power of Attorney (included on the signature page to this Annual Report on Form 10-K).	X
31.01	Certification of Principal Executive Officer Required Under Rule 13(a)-14(a) and 15(d)-14(a) of the Securities Exchange Act of 1934, as amended.	X
31.02	Certification of Principal Financial Officer Required Under Rule 13(a)-14(a) and 15(d)-14(a) of the Securities Exchange Act of 1934, as amended.	X
32.01‡	Certification of the Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350.	X
101.INS	XBRL Instance Document	
101.SCH	XBRL Taxonomy Extension Schema	
101.CAL	XBRL Taxonomy Extension Calculation Linkbase	
101.LAB	XBRL Taxonomy Extension Label Linkbase	
101.PRE	XBRL Taxonomy Extension Presentation Linkbase	
101.DEF	XBRL Taxonomy Extension Definition Linkbase	

* Indicates a management contract or compensatory plan.

‡ As contemplated by SEC Release No. 33-8212, these exhibits are furnished with this Annual Report on Form 10-K and are not deemed filed with the SEC and are not incorporated by reference in any filing of GoPro, Inc. under the Securities Act of 1933 or the Exchange Act of 1934, whether made before or after the date hereof and irrespective of any general incorporation language in such filings.







GoPro, Inc.
3000 Clearview Way
San Mateo, CA 94402
(650) 332-7600
gopro.com

Investor Relations
investor.gopro.com

