

2018 first-quarter business and earnings

- Revenues reflecting the consumer product portfolio's realignment
- Full-year growth target confirmed for Drone Business Solutions
- Gross margin turned around, up to 49% of consolidated revenues
- Redeployment from the second quarter with a first launch in early June
- Parrot, Europe's leading drone group, is positioned to return to growth in 2018, while ensuring effective control over its cash consumption

Henri Seydoux, Chairman and CEO and Parrot's leading shareholder: "Our results for the first quarter reflect the measures rolled out in 2017 on our consumer product portfolio, and the turnaround in our gross margin is still waiting for revenue growth to resume and new innovations to be launched. This will be initiated from the second quarter, with a first launch planned for early June.

To support the development of the civil drone market, we have created a completely new technological platform that is scalable, adapted for consumer uses and sufficiently powerful to accelerate synergies with our Drone Business Solutions activities.

This is the start of a new phase for Parrot and I am confident in our ability to continue developing as Europe's leading drone group".

2018 first-quarter earnings

Following the partnership agreement between Parrot Automotive and Faurecia signed on March 24, 2017, the OEM Automotive business (Parrot Automotive SAS and its subsidiaries Parrot Automotive Asia Pacific and, indirectly, Parrot Automotive Shenzhen) is presented as income from operations held for sale for the first quarter of 2017, then as income from associates since the second quarter of 2017. With the application of IFRS 15 from January 1, 2018, certain marketing costs previously recognized as operating costs have been restated and reclassified as a deduction against revenues.

The financial statements for the first quarter were approved by the Board of Directors on May 24, 2018 and have not been audited.

• Breakdown of revenues:

IFRS, €M (details appended)	Q1 2018	Q1 2017	Change
- Consumer drones	7.7	12.2	-37%
- Business solutions	9.3	9.7	-4%
DRONE TOTAL	17.0	21.9	-22%
- Other consumer products	5.1	6.8	-25%
GROUP TOTAL	22.1	28.6	-23%

Drone Business Solutions (42% of revenues)

Growth for Drone Business Solutions will be assessed on an annual basis. With the slower rate of operations due to weather conditions, the first quarter focused on consolidating technological and commercial expertise and preparing new offers. A combined sales, marketing, customer experience and product approach for the Parrot Business Solutions range has been created leveraging the competences of senseFly in order to benefit from greater distribution and support capabilities making it possible to accelerate and promote the offers internationally, from entry-level to advanced solutions, to an enhanced dealer base. Gilles Labossière, Parrot's Executive Vice President, has been appointed to head up senseFly, looking in particular to continue developing the subsidiary's market shares, while accelerating the integration of expertise within the Group.

Consumer drones (35% of revenues)

While waiting for the next generations of products, planned from June 2018, the first quarter's commercial performance reflects the realignment of the product portfolio and the implementation of the selective distribution strategy. Combined with the ramping up of sales for the Parrot Professional range, this is making it possible to achieve a strong gross margin and effectively positioning the Group to embark on a new phase of innovation. Driven by an R&D approach that has been

completely rethought, this will be supported by a stronger sales and marketing strategy, for which new expert capabilities have been recruited.

Other consumer products

The contraction (-25%) in this historical business (retail automotive handsfree kits) is in line with the strategy to realign the business around consumer and commercial civil drones.

• Condensed income statement

IFRS, €M (details appended)	Q1 2018 (IFRS 15)	Q1 2018 (proforma)	Q1 2017 ⁽¹⁾	Change
Revenues	22.1	22.4	28.6	-23%
Gross margin	10.8	11.1	11.4	-5%
% of revenues	49%	49%	40%	+9pts
Income from ordinary operations	-14.7	-14.7	-18.8	-22%
% of revenues	-67%	-66%	-66%	
EBIT⁽¹⁾	-14.7	-14.7	11.0	ns
% of revenues	-67%	-66%	38%	
Net income (Group share)⁽¹⁾	-18.9	-18.9	7.0	ns
% of revenues	-86%	-86%	24%	

(1) In Q1 2017, capital gain on disposal following the Parrot Faurecia Automotive operation.

The consolidated **gross margin** for the first quarter represents 49% of revenues, up 9 points from the first quarter of 2017. This strong performance reflects the tradeoffs carried out within the product portfolio and the changes in the product mix focusing on Business solutions and the Professional ranges. This high level also highlights the effective measures rolled out by the Group, giving Parrot the agility needed to manage pricing elasticity, particularly on the consumer drone market.

Current operating expenditure for the first quarter came to €25.5m, down -16% from the first quarter of 2017 and -5% from the fourth quarter of 2017. R&D spending came to €9.5m, representing the main cost heading, focused on finalizing the next generations of consumer drones and business solutions. Sales and marketing spending, down to a low level while waiting for the product launches, is supporting a reconfigured organization, welcoming new expertise on board and focused exclusively on returning to growth. The increase in overheads and administrative costs is linked to the strengthening of the IT systems.

At March 31, 2018, the Group's **workforce** (permanent and fixed-term contracts) represented 637 people (597 at December 31, 2017), in addition to 45 external contractors (32 at December 31, 2017). The Group has 309 staff for commercial drones (284 at December 31, 2017) and 278 for consumer drones (269 at December 31, 2017).

Cash flow and balance sheet at March 31, 2018

Net cash represents €99.0m at end-March 2018 (versus €115.4m at December 31, 2017), with the following breakdown: €131.2m of cash and cash equivalents (€144.5m at December 31, 2017), €10.0m of short-term investments and €42.2m of financial liabilities (convertible bonds issued in connection with the Parrot Faurecia Automotive operation).

The change in net cash over the period represents -€16.4m, primarily including -€13.7m in EBITDA, a limited change in working capital requirements for +€0.6m and the impact of exchange rate fluctuations for -€1.1m.

Parrot's shareholders' equity represents €234.4m (€253.8m at December 31, 2017), with a total balance sheet of €367.1m (€402.7m at December 31, 2017). Net inventories are down to a low of €23.8m (€23.3m at December 31, 2017). At end-2017, trade receivables totaled €24.7m (€40.2m at December 31, 2017), with €26.5m of trade payables (€37.6m at December 31, 2017).

Outlook for 2018

Parrot is the leading European drone group on a market that is seeing the emergence of a new industry with global strategic and economic stakes. With the completion of its reorganization program and the start of its redeployment, marked by a new phase of innovation capitalizing in particular on a scalable, shared platform, Parrot intends to resume its development plan for consumer drones and continue moving forward with its deployment of Business Solutions.

Parrot will first of all be introducing a new generation of consumer drones, rolling out a brand strategy and deploying its selective distribution policy, while supporting the development of Business Solutions. The gross margin generated by the combination of its two offers is expected to continue improving on an annual basis.

At the heart of this new high-growth industry, Parrot believes that it has the resources and assets needed to develop its leadership, combined with its strong capabilities to help drive the expansion of the consumer drone market and the development of Business Solutions: in 2018, Parrot will continue moving forward with its committed growth strategy, while ensuring effective control over cash consumption.

Next financial dates

- Parrot's general shareholders' meeting: June 12, 2018
- 2018 second-quarter earnings: August 2, 2018

ABOUT PARROT

Founded in 1994 by Henri Seydoux, Parrot is today the leading European group in the fast-growing industry of drones. Visionary, at the forefront of innovation, Parrot is a real 'End to End' drone group from hardware and software to services.

Parrot, the world's number 2 of the consumer drone market, designs drones known for their high performance and ease of use.

Parrot is also offering business solutions, covering drones, software and services mainly focusing on 3 major verticals: (i) Agriculture, (ii) 3D Mapping, Surveying and Inspection and (iii) Public safety.

The Parrot Group designs and engineers its products in Europe, mainly in France and Switzerland. It currently employs 600 people worldwide and makes the majority of its sales outside of France. Parrot, headquartered in Paris, has been listed since 2006 on Euronext Paris (FR0004038263 - PARRO). For more information: www.parrot.com

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APPENDICES

Following the partnership agreement between Parrot Automotive and Faurecia signed on March 24, 2017, the OEM Automotive business (Parrot Automotive SAS and its subsidiaries Parrot Automotive Asia Pacific and, indirectly, Parrot Automotive Shenzhen) is presented as income from operations held for sale for the first quarter of 2017, then as income from associates since the second quarter of 2017. With the application of IFRS 15 from January 1, 2018, certain marketing costs previously recognized as operating costs have been restated and reclassified as a deduction against revenues.

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Breakdown of revenues by business

Consolidated accounts - IFRS (€M and % of Group revenues)	Q1 2018		Q1 2017		Change
	€M	%	€M	%	
Consumer drones and products	12.8	58%	18.9	66%	-32%
- Consumer drones ⁽¹⁾	7.7	35%	12.2	42%	-37%
- Other consumer products ⁽²⁾	5.1	23%	6.8	24%	-25%
Drone Business Solutions	9.3	42%	9.7	34%	-4%
- Business equipment	3.5	16%	5.3	18%	-33%
- Business software and services	5.7	26%	4.4	15%	+30%
Parrot Group total	22.1	100%	28.6	100%	-23%

(1) Sequoia products and the Parrot Professional range are recorded in the “consumer drones” subcategory.

(2) Grouping together the Retail Automotive, Automotive Plug & Play and Connected Devices product lines.

Consolidated income statement

Consolidated accounts - IFRS (€M)	Mar 31, 2018	Mar 31, 2017	Mar 31, 2018 proforma ⁽¹⁾
Revenues	22.1	28.6	22.4
Cost of sales	11.3	17.3	11.3
Gross margin	10.8	11.4	11.1
% of revenues	48.8%	39.8%	49.4%
Research and development costs	-9.5	-10.7	-9.5
% of revenues	-43.0%	-37.5%	-42.5%
Sales and marketing costs	-7.9	-12.0	-8.2
% of revenues	-35.7%	-41.8%	-36.6%
Overheads	-5.6	-4.3	-5.6
% of revenues	-25.5%	-15.0%	-25.2%
Production and quality	-2.5	-3.2	-2.5
% of revenues	-11.1%	-11.1%	-11.0%
Income from ordinary operations	-14.7	-18.8	-14.7
% of revenues	-66.6%	-65.6%	-65.7%
Other operating income and expenses ⁽²⁾	0.0	29.7	0.0
EBIT	-14.8	11.0	-14.8
% of revenues	-66.8%	38.3%	-65.9%
Income from cash and cash equivalents	ns	ns	ns
Net finance costs	ns	-0.1	ns
Other financial income and expenses	-0.6	0.1	-0.6
Financial income and expenses	-0.6	0.1	-0.6
% of revenues	-2.5%	0.2%	-2.5%
Share in income from associates	-3.8	ns	-3.8
Corporate income tax	-0.1	-3.8	-0.1
Income from operations held for sale, net of tax	-	-0.6	-
Earnings for the period	-19.2	6.6	-19.2
Earnings for the period - Group share	-18.9	7.0	-18.9
% of revenues	-85.7%	24.3%	-84.6%
Earnings for the period - minority interests	-0.2	-0.3	-0.2

(1) Excluding new application of IFRS 15, as in 2017.

(2) In Q1 2017, following the Parrot Faurecia Automotive operation, impact of the accounting revaluation of Parrot Automobile SAS.
ns: not significant.