
2019 first-quarter business

During its meeting on May 15, 2019, Parrot's Board of Directors wanted to summarize the quarterly financial disclosures for Parrot, the only significant listed operator on the drone market. Within this framework, detailed earnings will now be presented at the end of the first half and the full year. The first quarter's financial data have not been audited.

• Operating highlights

Finalization of Horizon's public tender offer for Parrot's securities: Following the acquisition of a 9.59% block of Parrot's capital by Horizon, a company controlled by Henri Seydoux, Parrot's founder, Chairman and CEO, from funds managed by Amiral Gestion at a price of €3.20 per share, Horizon filed a proposed mandatory public tender offer on January 29, 2019 with the French Financial Markets Authority (AMF) for Parrot's shares at the same price of €3.20 per share, as well as an offer for the warrants¹ issued by Parrot (the "warrants") at a price of €0.01 per warrant (the "Offer"). The Offer has been carried out based on the standard procedure, in accordance with the terms of Articles 232-1 *et seq* of the AMF's general regulations.

The AMF issued its decision concerning the Offer's compliance on March 5, 2019, and the Offer was opened for the first time from March 7 to April 10, then for the second time from April 23 to May 7. Following these two periods, the Offer was closed definitively and Horizon holds:

- 18,866,332 PARROT shares representing the same number of voting rights², i.e. 62.52% of the capital and voting rights³,
- 14,942,157 Class 1 warrants representing 85.02% of the existing Class 1 warrants,
- 15,095,319 Class 2 warrants representing 85.89% of the existing Class 2 warrants.

Reorganization of the Prosumer drones business: On November 23, 2018, the Group announced a plan for departures with a view to reducing the resources used by the marketing and production structures of the Parrot Drones subsidiary, which notably includes the "Prosumer drones" activities, to adjust them in line with current market capacity. This plan, focused primarily on international operations, particularly in the US and Asia, concerned around 100 people. It has reduced Parrot Drones' operating expenditure by 35% to €8.8m, compared with €13.6m for the first quarter of 2018.

Alongside this, the Parrot Group is developing a portfolio of subsidiaries and associates focused on advanced commercial drones and solutions ("Commercial drones & solutions" activity). With recognized brands, strong management and complementary positionings, the subsidiaries and associates are focusing on the development of their commercial activities, jointly or independently addressing the needs of professionals, businesses and major groups, as well as the rest of the drone industry.

ANAFI Thermal launched: On April 15, 2019, Parrot presented the Parrot ANAFI Thermal, an all-in-one drone thermal-imaging solution (drone + sensor + software) for professionals. This solution is based on the lightweight, easy-to-use and high-performance ANAFI drone platform, optimized for professionals. In addition to its 4K HDR camera, ANAFI Thermal has an integrated thermal sensor from FLIR®, a sector leader, opening up access to new levels of vision and information. The ANAFI Thermal offers live thermal and RGB (4K HDR) imaging capabilities for the areas, buildings or risky sites that it flies over. The ANAFI Thermal is being rolled out gradually from May 2019 on parrot.com and with professional drone distributors at a price of €1,900 (excluding VAT).

Research contract to develop a prototype for the US Army: At the start of May, Parrot was selected by the US Department of Defense to be part of the Short Range Reconnaissance (SRR) development program, launched in November 2018. This program has a total budget of \$11m, awarded to six commercial drone companies. The aim is to provide a lightweight and discreet quadcopter offering American soldiers a rapidly deployable, easily transportable and high-tech reconnaissance capability. Its prototype, which is scheduled to be presented to the US Army at the start of 2020, will be subject to interim qualification stages between now and then.

1 The Class 1 warrants and Class 2 warrants became eligible for exercising immediately following the AMF's publication of the submission notice for the tender offer, on January 29, 2019, and until December 15, 2022 inclusive, and were admitted for trading on Euronext Paris, on February 6, 2019, as requested by PARROT. 24 Class 1 warrants entitling holders to subscribe for two PARROT shares at a price of €32.66 per share. To date, there are 17,575,230 Class 1 warrants. 28 Class 2 warrants entitling holders to subscribe for three PARROT shares at a price of €42.34 per share. To date, there are 17,575,222 Class 2 warrants.

2 Excluding the 612,179 treasury shares held by PARROT, representing 2.03% of its capital.

3 Based on a capital comprising 30,174,681 shares representing the same number of voting rights, in accordance with section 2 of Article 223-11 of the general regulations.

• Development and breakdown of Parrot Group business lines

€m and % of revenues (details appended)	Q1 2019		Q1 2018 ⁽¹⁾		Change
COMMERCIAL DRONES & SOLUTIONS⁽¹⁾	11.8	66%	9.7	43%	+26%
Pix4D	5.2	29%	4.3	19%	+20%
senseFly	4.6	26%	3.6	16%	+28%
MicaSense	1.8	10%	0.9	4%	+95%
Airinov	0.2	1%	0.7	3%	-67%
PROSUMER DRONES	6.8	38%	12.8	58%	-47%
Consumer or commercial drones	5.7	32%	8.1	37%	-30%
Other legacy consumer products	1.2	7%	4.7	21%	-75%
PARROT SA	0.3	2%	0.6	3%	-50%
Intragroup eliminations	-1.0	-6%	-0.9	-4%	+11%
PARROT GROUP TOTAL⁽¹⁾	17.9	100%	22.1	100%	-19%
TOTAL DRONES⁽²⁾	16.5	92%	16.7	75%	-1%

(1) For Q1 2018, the total for “Commercial drones & solutions” also includes Parrot Air Support, put on standby at the end of 2018, for €0.2m of revenues.

(2) “Total Drones” includes “Commercial drones & solutions” and “Consumer or commercial drones”, deducted from “Intragroup eliminations”.

Commercial drones & solutions business evolution

senseFly, the global leader⁴ for fixed-wing drone solutions, has generated revenues of €4.6m (+28%) following the launch of its new generation of eBeeX drones at the end of 2018. This new solution offers outstanding performance capabilities, illustrated by the world record it set for the longest flight beyond visual line of sight in an urban environment, with a 414km flight achieved in March by a senseFly client in Canada. The Swiss subsidiary, which employs 99 people, is focused on developing and optimizing its range of solutions to address the advanced needs of its professional clients. This quarter, senseFly presented a dedicated new solution for precision farming, in partnership with MicaSense, and another solution - Solar 360 - for inspecting solar farms, created in partnership with Raptor Maps.

Pix4D’s sales of drone imaging analysis software are up 20% to €5.2m. The Swiss subsidiary is capitalizing on the continued development of its flagship product, Pix4DMapper, and the ramping up of its dedicated solutions for construction (Pix4DBim) and agriculture (Pix4Dfields). It is also working to facilitate the digitalization of the business sectors that it serves by improving the integration of the high-precision data processed by its software into existing tools and solutions, in addition to developing end-to-end solutions. For example, at the end of March, it launched Pix4DFusion, a dedicated offer for precision farming that includes drones, sensors, analysis software, training and support, as well as access to a project management portal.

The subsidiary Micasense doubled its revenues during the first quarter. Based on the United States’ West Coast, it develops and markets scientific grade sensors for drones that are widely used in the world of precision farming. Its progress is being driven by the success of its latest sensor, Altum, launched at the end of 2018.

Airinov (drone imaging services and data analysis for precision farming), whose sales are still linked to crop seasonality, was affected this quarter by a poor season for rapeseed, impacted by weather conditions, while its campaigns for monitoring cereal production are stable. Various growth drivers have been developed and new solutions are currently being tested for vines and corn.

Prosumer drones business evolution

The development of this business notably reflects the product portfolio’s realignment in 2018, the launch of sales for the ANAFI drones from the second half of 2018 and the continued reduction in sales for the older generations of consumer automotive products, which will be gradually discontinued.

The breakdown of sales for this quarter shows a stronger focus on the new generation of consumer and commercial drones developed around the ANAFI platform, helping reestablish the margins achieved, in line with the strategy and the current market context.

The development of commercial ranges based on the ANAFI platform is notably illustrated by the launch of the ANAFI Thermal in April 2019, following the ANAFI Work in September 2018.

At the start of the second quarter, a new programming tool for creating iOS and Android applications for ANAFI was launched in order to help drive the development of applications and uses for Parrot ANAFI drones. Open to anyone⁵, this software development kit (SDK) makes it possible to access all of ANAFI’s features (control, video, settings) through a series of application programming interfaces (APIs) that are easy to use and fully documented.

⁴ <https://www.sensefly.com/2019/04/04/les-statistiques-enregistrees-sur-les-drones-confirment-que-lebee-de-sensefly-est-le-plus-populaire-des-drones-voilure-fixe-commercialises-en-france/> et <https://www.sensefly.com/2019/04/03/registration-figures-confirm-sensefly-ebec-most-popular/>

⁵ <https://developer.parrot.com/>

• Outlook for 2019

Parrot has continued to adapt its “Prosumer drones” activities in line with drone market developments, while achieving substantial savings, with this management policy to continue moving forward in 2019. Resources are focused on advanced R&D, ramping up the gateways between consumer and commercial uses, streamlined distribution networks, managed primarily from France, and targeting online sales in priority, as well as opportunistic marketing operations, linked to trends on the various regional markets.

The “Commercial Drones & Solutions” activities are forecasting double-digit growth, supported by a diversified offering, developed specifically for the various target industries (precision farming, 3D mapping, geomatics, inspection and security), but whose development is still dependent on the increased penetration of the new technologies offered by drones, while the pace of adoption is difficult to forecast.

Over 2019, the expectations will be reflected in:

- A significant contraction for the “Prosumer drones” activities, in a consumer drone market that is expected to be flat, with commercial uses to slowly ramp up, while increasingly widespread use among smaller businesses is still being held back by the regulatory environment. The actions taken are expected to reduce the annual loss to a sustainable level to continue responding to the market’s long-term potential.
- Stronger growth for the “Commercial Drones & Solutions” activities, consolidated by their solid offers in a still buoyant market, within which the development of drone technologies for business clients and key accounts is being restricted less by the regulatory framework. Most of them are expected to be close to breaking even by the end of the year.

Based on these elements, Parrot is expected to have around €100m of cash and an outstanding portfolio of companies and interests at the end of 2019.

Next financial dates

- Parrot’s general shareholders’ meeting: June 13, 2019
- 2019 first-half earnings: August 1, 2019
- 2019 third-quarter business: November 15, 2019

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 the only group to be positioned across the entire value chain, from equipment to services and software.

- Parrot, the world's number 2 of the consumer drone market, designs drones known for their high performance and ease of use.
- Parrot has a portfolio of outstanding companies and interests in commercial drones, covering equipment, software and services. Its expert capabilities are focused primarily on three vertical markets: (i) Agriculture, (ii) 3D Mapping, Surveying and Inspection, and (iii) Defense and Security.

The Parrot Group designs and engineers its products in Europe, mainly in France and Switzerland. It currently employs over 500 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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