

2019 third-quarter business

For the third quarter of 2019, the Parrot Group's revenues came to €17.9m; its contraction (-24%) reflects a doubling of the gross margin and a reduction of operating losses by half compared with the third quarter of 2018, in line with its expectations.

The Commercial Drones and Solutions business is up 21% and now represents 59% of consolidated revenues.

By realigning its operations around the stronger value-added segments, Parrot is successfully adapting to the challenges involved with the civil drone market's development and is continuing to focus in priority on:

- Maintaining its strong capacity for innovation, illustrated by the continued launches of software and equipment during this quarter (Pix4Dreact, Parrot ANAFI FPV, MicaSense Dual Camera System);
- Developing its commercial strategy, with key accounts, institutions and professionals, directly or through commercial and technological partnerships (SenseFly / Trimble, Parrot Tech Days, Enterprise Loan Program);
- Continuing with advances in the Security and Defense field, which the Group's various entities are gradually contributing to.

As Europe's number one drone group, Parrot still has a leading strategic position on the civil drone market, which will mark the 21st century in terms of both its scale and its disruptive developments.

€m and % of consolidated revenues	Q3 2019 ⁽¹⁾		Q3 2018 ⁽²⁾		Change
COMMERCIAL DRONES AND SOLUTIONS⁽²⁾	10.5	59%	8.6	37%	+21%
Pix4D	5.4	30%	4.5	19%	+21%
SenseFly	3.6	20%	2.7	11%	+37%
MicaSense	1.5	9%	1.2	5%	+26%
Airinov ⁽³⁾	-0.1	0%	0.1	0%	-159%
PROSUMER DRONES	7.1	40%	14.5	62%	-51%
Consumer and commercial drones	5.1	29%	12.6	54%	-59%
Other legacy consumer products	2.0	11%	1.9	8%	+2%
PARROT SA	0.3	1%	0.3	1%	-4%
PARROT GROUP TOTAL⁽²⁾	17.9	100%	23.4	100%	-24%
TOTAL DRONES⁽⁴⁾	15.6	87%	21.2	90%	-27%

(1) Parrot's Board of Directors met on November 14, 2019; consolidated revenues (Parrot Group total) and the indicators based on the subsidiaries (revenues restated for intragroup items) are not audited for the third quarter of 2019 (July 1 - September 30).

(2) In 2018, "Commercial drones and solutions" also includes the subsidiary Parrot Air Support, for €0.6m, put on standby at the end of 2018.

(3) The subsidiary Airinov was put on standby at the end of the first half of 2019.

(4) "Total Drones" includes "Commercial drones and solutions" and "Consumer and commercial drones".

COMMERCIAL DRONES AND SOLUTIONS

The Parrot Group's range of Commercial Drones and Solutions includes equipment, software and services to meet the needs of experts, institutions and major groups in the following areas: (i) Agriculture, (ii) 3D Mapping, Surveying and Inspection, and (iii) Defense and Security. The four subsidiaries have 330 staff in total, with 50% dedicated to R&D. They are implementing a growth strategy based on strong technological expertise, combining artificial intelligence, high-precision data analysis and advanced connectivity. With a commercial strategy that has a strong international focus, they are improving the productivity and data of the industries that are gradually adopting them.

For the third quarter of 2019, Commercial Drones and Solutions generated 59% of the Group's revenues, representing €10.5m, with year-on-year growth of 21% (24% excluding Airinov, whose business was put on standby in the second quarter).

Revenues for **Pix4D**, the Swiss subsidiary specialized in drone imaging analysis software, are up 21% to €5.4m. Over the period, the level of business reflects the continued adoption of Pix4DMapper and the ramping up of new business applications. Its growth is being supported by the international expansion of commercial operations (presence established in the US, Japan, China, Germany and Spain) and various initiatives helping facilitate the deployment of its applications, such as Pix4D

Partners, which groups together a network of premium partners, combining expert knowledge of the capabilities offered by Pix4D's solutions with strong business expertise. Over the period, Pix4D continued to roll out its major launch program, expanding its business applications to take on board the specific features and processes of each target industry, while ensuring its compatibility with a range of equipment. In the third quarter, this was illustrated by the launch of Pix4Dreact, a dedicated application for emergency services and public safety professionals, enabling them to quickly create high-precision 2D maps that can be used when no connections are available to effectively assess and respond to emergency situations.

SenseFly, the world leader¹ for fixed-wing drones, generated revenues of €3.6m, up 37%. Its robust commercial development reflects the performance of its eBee X platform, launched at the end of 2018. The strengthening of the key account sales strategy is delivering benefits: for instance, in the third quarter of this year, SenseFly joined Trimble's dedicated distribution network for precision farming professionals in North America and Europe (Trimble Select Partner program). Building on the Parrot Group's development on the Defense and Security market, SenseFly has joined ARTEMIS (Aerial Reconnaissance Tactical Edge Mapping & Imagery System), a complex platform that produces high-precision maps for military units operating in disconnected environments. The eBee X has also been acquired by the U.S. Army Engineering & Support Center, which is looking to have a more secure and efficient way of collecting high-quality HD data.

MicaSense, the Seattle-based multispectral sensor specialist, recorded €1.5m of revenues in the third quarter of 2019. Its 26% year-on-year growth reflects the continued success of its high-precision sensors (RedEdge-M/Mx and Altum), adapted for a wide range of drones and plants, and the ramping up of its commercial actions on international markets. These are notably supported by a global distribution network that currently includes more than 50 retailers and around 20 premium partners. At the end of October, MicaSense presented a new system with two integrated five-band cameras - the RedEdge-MX and the new RedEdge-MX Blue – enabling the most advanced remote sensing and vegetation research applications.

PROSUMER DRONES

The Prosumer Drone offering includes the consumer and commercial drone activities based on the ANAFI platform, as well as the older generations of consumer products, focused on drones and automotive connectivity, intended to be gradually shut down. Grouped together within the subsidiary Parrot Drones, the teams include a total of 193 staff and 32 contractors, with 64% of the workforce dedicated to R&D.

In line with the previous quarters in 2019, the development of the Prosumer Drone business, with revenues of €7.1m for the period, continues to reflect the end of sales for the older generations of products (around €5.3m for the third quarter of 2018, compared with zero sales for the period). This is in addition to the volumes of products ordered by retailers for the Parrot ANAFI's commercial launch in the third quarter in 2018.

In a consumer market that is continuing to attract interest despite its slowdown and a commercial market that is still young, Parrot Drones is committed to maintaining a high level of technological expertise and developing its product mix with a stronger focus on the new generation of consumer and commercial drones developed around the ANAFI platform, with its lightweight, high-performance and scalable capabilities. These actions are helping restore the margins achieved.

Its capacity for innovation is illustrated today by the different consumer and commercial versions of its ANAFI platform (ANAFI Extended, ANAFI Work, ANAFI Thermal), further strengthened since the end of September with ANAFI FPV (First Person View), incorporating an immersive flying experience with "Cockpit Glasses 3". This launch has been accompanied by a major update to the control app FreeFlight 6: compatible with all ANAFI versions, it offers a wide selection of piloting modes and video effects and adapts to each pilot's level of expertise.

To further strengthen its commitment on the professional markets, Parrot has set up Tech Days events and an Enterprise Loan Program (ELP). The Tech Days provide opportunities for public safety professionals to discover how Parrot's drones can help them with their missions, with regular events organized since August. The ELP makes it possible for businesses to trial the ANAFI for six weeks. This program is an opportunity for them to discover all the features offered by the platform and its applications (mapping, metrics, promotion, inspection, etc.), and an opportunity for Parrot to benefit from exchanges with its end customers, helping further enhance their user experience.

On the Defense and Security market, the U.S. Department of Defense's "SRR" development program, announced in May, is continuing to move forward and has received funding. Parrot and its Commercial Drones and Solutions subsidiaries are positioning themselves together or independently on various calls for tenders in France and around the world, with the first results expected for 2020.

¹ <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/> and <https://www.sensefly.com/2019/04/03/registration-figures-confirm-sensefly-ebec-most-popular/>

2018 GAIA RATING CAMPAIGN RESULTS

Parrot has once again been included in the Gaïa Index, ranked 89th overall (out of 230 companies) and 28th in its category (out of 78 companies with revenues of €150m to €500m). For the first time, the results for 2018 exclude the previous automotive activities, divested in 2017.

Rating out of 100	2018	2017	2016
Governance	65	63	63
Social	71	70	52
Environment	67	66	56
External stakeholders	61	96	82
Overall rating	67	69	59

OUTLOOK FOR 2019

The outlook for 2019 remains unchanged, with the trends and operations to date in line with expectations, and the Parrot Group is targeting around €100m of cash and an outstanding portfolio of companies and interests by the end of 2019.

ADDITIONAL INFORMATION

Financial diary: 2019 full-year earnings: Thursday March 19, 2020 before start of trading.

Nine-month revenues and indicators

€m and % of consolidated revenues	9M 2019 ⁽¹⁾		9M 2018		Change
COMMERCIAL DRONES AND SOLUTIONS⁽²⁾	33.2	58%	28.9	37%	+15%
Pix4D	15.5	27%	13.2	17%	+18%
SenseFly	11.6	20%	10.2	13%	+14%
MicaSense	5.6	10%	3.6	5%	+57%
Airinov ⁽³⁾	0.6	1%	1.4	2%	-58%
PROSUMER DRONES	23.5	41%	48.7	62%	-52%
Consumer and commercial drones	17.9	31%	39.5	51%	-55%
Other legacy consumer products	5.6	10%	9.2	12%	-39%
PARROT SA	0.8	1%	0.9	1%	-14%
PARROT GROUP TOTAL⁽²⁾	57.5	100%	78.4	100%	-27%
TOTAL DRONES⁽⁴⁾	51.2	89%	68.4	87%	-35%

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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). Financial information is available on <http://corporate.parrot.com>. For more information visit: www.parrot.com and these subsidiaries www.pix4d.com, www.sensefly.com, www.micasense.com.

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