

2013 full-year and fourth quarter earnings

R&D investments and operational balance maintained

Return to growth in 2014

Consolidated accounts ⁽¹⁾ IFRS (€M)	Q4 2012	Q4 2013	Change Q4/Q4	2012	2013	Change
Revenues	73.0	60.5	-17%	280.5	235.1	-16%
Gross margin	38.1	29.3	-23%	142.9	118.3	-17%
% of revenues	52.2%	48.5%		50.9%	50.3%	
Income from ordinary operations	6.8	1.1	-83%	31.8	6.3	-80%
% of revenues	9.3%	1.9%		11.3%	2.7%	
EBIT	6.8	0.9	-86%	31.5	6.1	-81%
% of revenues	9.3%	1.5%		11.2%	2.6%	
Net income (Group share)	4.3	0.2	-94%	24.5	1.6	-92%
% of revenues	6.0%	0.3%		8.7%	0.7%	
Earnings per share ⁽²⁾	0.34	0.02		1.91	0.12	-94%
Diluted earnings per share	0.32	0.02		1.82	0.12	
Net cash				81.2	78.7	-3.1%

(1) Consolidated earnings for 2012 include senseFly from the fourth quarter of 2012.

(2) Accounting number of shares: 12,703,821; diluted number of shares: 13,396,866.

Business

Rapid progress was made with the transition towards in-car infotainment in 2013, but, in line with the Group's expectations, this was not sufficient to offset the contraction seen for the previous generations of automotive technologies; on the other hand, retail products and drones have confirmed their success. In this context, Parrot generated 235.1 million euros of revenues, down 16%.

Fourth-quarter business followed on from the trends indicated in the previous press release (third-quarter earnings on Nov. 15, 2013). Parrot recorded 60.5 million euros in consolidated revenues, down 17% in relation to the fourth quarter of 2012. Compared with the third quarter of 2013, revenue growth came to 9%, supported by sales of Retail products during the end-of-year holidays.

For the fourth quarter, Retail products represented 60% of the Group's revenues (59% in Q4 2012), with Key Account products coming in at 40% (41% in Q4 2012).

To reflect the changes in its activities, particularly its breakthrough in Consumer Electronics and Drones, Parrot has adopted a new financial reporting approach (cf. appendices to this press release):

- The **Consumer Electronics** business groups together revenues from the audio products (Zik, Zikmu) and plug & play products (Parrot Minikit range), as well as the connected objects and toys (Flower Power) sold to consumers through the distribution networks and online;
- The **Automotive** business groups together revenues from installed handsfree kits (Parrot CK and Parrot MKi range) and infotainment products (Parrot Asteroid range) sold to consumers through the distribution networks, as well as revenues from the Bluetooth, digital music and infotainment solutions sold directly to manufacturers and their OEM providers;
- The **Drone** business groups together revenues from sales of retail drones (Parrot AR.Drone), sold to consumers through the distribution networks and online, as well as revenues from professional civil drones, sold through specialized distribution networks.

As Henri Seydoux, Parrot's founder, chairman and CEO, explains: "To capture the next wave of strong growth, we are investing in all our business lines simultaneously: Automotive, to capitalize on the digitalization of the car, Consumer Electronics, to diversify our technologies around new uses, and Drones, which offer significant potential for growth and involve new technologies that are advancing very quickly. This transition can be seen in the uncharacteristic performances for 2013, which we have been able to plan ahead for and take on board. As a result, we continue to have a sound financial structure and strong

capacity for innovation. We are targeting growth for 2014 and an improvement in earnings for 2015. Looking forward, there is a lot of work to be done, but our markets are buoyant and our agility is an asset".

Consumer Electronics

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

For the fourth quarter of 2013, Consumer Electronics revenues (17% of Group revenues, versus 14% in Q4 2012) came to 10.4 million euros, up 4% compared with the same period the previous year. This figure reflects the good level of sales of high-end wireless headphones (Parrot Zik) and a weaker performance by the Parrot Zikmu. Sales of the Parrot Flower Power, the Group's first connected object, made a minor contribution to revenues for the period, but are consistent with the quantities produced for the launch in November 2013.

Automotive

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

For the fourth quarter of 2013, Automotive revenues (59% of Group revenues, versus 63% in Q4 2012) contracted 21% compared with the same period the previous year to reach 36.0 million euros, consistent with the trends seen since the end of 2011. Infotainment products and solutions represented 7% of the Group's revenues, compared with 2% in Q4 2012.

Retail automotive products (23% of Group revenues, same level as in Q4 2012) generated 13.7 million euros of revenues. Traditionally, sales trends at the end of the year are relatively unfavorable for this range.

Key Account solutions (37% of Group revenues, versus 39% in Q4 2012) generated 22.2 million euros of revenues, once again factoring in the stock clearance policies adopted by automotive customers at the end of the year.

Drones

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

During the fourth quarter of 2013, Drone revenues (23% of Group revenues, same level as in Q4 2012) came to 13.8 million euros, compared with 16.8 million euros for the same period the previous year, in line with the full-year trends. Retail drones represented 20% of the Group's revenues, with professional drones coming in at 3%.

Parrot is positioning itself as a major player on the retail and professional drone market and has also announced today that it has acquired interests in two new firms (cf. press release from February 27, 2014 at: <http://www.parrotcorp.com/fr/communiquedespresse>).

Gross margin

For the full year, the margin of 50.3% is consistent with the Group's business model.

For the fourth quarter of 2013, Parrot recorded a gross margin of 48.5%, compared with 52.2% for the fourth quarter of the previous year. The gross margin rate reflects the end-of-life products which are no longer being sold, in addition to the product mix focusing on consumer electronics products during this end-of-year holiday season.

EBIT

EBIT came to 6.1 million euros for 2013, representing 2.6% of revenues. Parrot achieved its full-year objective for operations to break even. The Group has focused its resources on developing its infotainment

activities, expanding its range of consumer electronics products and moving forward with its expansion on the drone market.

During the fourth quarter, EBIT came to 0.9 million euros, giving an operating margin of 1.5%. Parrot temporarily scaled back its R&D spending and chose to focus instead on marketing operations in order to support the visibility of its retail electronics products during the end-of-year holidays.

Operating expenses totaled 28.2 million euros for the fourth quarter, down 3.1 million euros versus the fourth quarter of 2012 and up 2.4 million euros compared with the third quarter of 2013, linked to the end-of-year campaigns. The changes in the main cost items were as follows:

- R&D spending came to 10.4 million euros (17% of revenues), a temporary drop of 6% compared with the fourth quarter of 2012. Customer-funded R&D totaled 1.9 million euros¹.
- Sales and marketing spending represented 10.5 million euros (17% of revenues), down 24% compared with the fourth quarter of 2012 and up 27% on the previous quarter, reflecting the end-of-year advertising campaigns and the launch of the Parrot Flower Power.
- General costs came to 3.8 million euros (6% of revenues), with production and quality-related costs representing 3.4 million euros (6% of revenues), stable on an annual and quarterly basis excluding the extension of the scope linked to senseFly.

At December 31, 2013, the Group's workforce represented 845 people, compared with 839 at September 30, 2013 and 810 at December 31, 2012. Over the year, the headcount increased by 4%, with like-for-like growth of 2% (excluding the integration of senseFly). R&D teams make up over 50% of the workforce. In addition, the Group employs 75 external providers (versus 30 at September 30, 2013).

Net income

Net income (Group share) totaled 1.6 million euros, giving a net margin of 0.7%. After factoring in minority interests (-€366,000 linked to the majority interest acquired in the commercial drone sector), net income came in at 1.1 million euros for 2013.

Financial income and expenses for the fourth quarter include a positive conversion effect (US dollar / Euro) of 0.1 million euros. Investment income, net of the cost of debt, contributed 0.3 million euros, while the tax expense for the quarter came to 0.8 million euros.

For the fourth quarter, net income (Group share) came to 0.2 million euros, with 0.02 euros per share.

Cash flow and balance sheet at December 31, 2013

At December 31, 2013, Parrot had 78.7 million euros in net cash, compared with 81.2 million euros at December 31, 2012 and 81.0 million euros at September 30, 2013. Cash flow from operations represented 23.6 million euros, while investing cash flow came to 17.4 million euros. In addition, Parrot acquired 8.4 million euros of treasury shares during the year. The net cash position is virtually stable for the year, thanks to the effective management of working capital requirements, including a significant reduction in inventories (-44%).

At December 31, 2013, net inventories represented 24.2 million euros (versus 43.6 million euros at December 31, 2012), in line with the stock reduction plan. Trade receivables reached 39.2 million euros (versus 50.9 million euros at December 31, 2012), with 32.7 million euros in trade payables (versus 43.4 million euros at December 31, 2012).

The Group's shareholders' equity represents 183.5 million euros (versus 188.5 million euros at December 31, 2012), in view of a capital reduction following the cancellation of 200,000 treasury shares on May 15, 2013. Net assets per share come out at 14.4 euros.

Outlook

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

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

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

¹ Customer-funded R&D is recognized in revenues as follows: Q1 2013: 1.1 million euros, Q2 2013: 1.1 million euros, Q3 2013: 1.0 million euros.

- **Consumer electronics:** the first half of the year will be focused on finalizing the two new connected toys, the Parrot Jumping Sumo and Parrot Mini Drone, which received a very positive response when they were presented at the 2014 CES. With this in mind, additional external providers and engineers will be brought on board to support the current teams. First-half sales will be generated exclusively by the Parrot Zik, the Plug & Play products and the Parrot Flower Power. With the products launched during the second half of the year, Parrot is forecasting strong growth for its Consumer Electronics business on an annual basis.
- **Automotive:** the Group is forecasting a contraction in its full-year revenues: the downturn in its historical activities, particularly in the retail sector, will be only partially offset by the new infotainment contracts set up in 2013, the two additional contracts brought into production midway through 2014 and the ramping up of Parrot Asteroid sales. At this stage, the main challenges concern finalizing developments for the two infotainment contracts to be delivered in 2014 on the one hand, and on the other, allocating resources for additional prospecting. The range of retail solutions (Parrot Asteroid) and key account solutions is still one of the most advanced on its market and recent announcements in the automotive industry have confirmed the Group's technological choices. Parrot is forecasting a return to strong growth for its automotive business in 2015. In addition, the Group is banking on its ability to sign up increasingly large contracts, with its sales teams ready to meet this challenge in 2014.
- **Drones:** for 2014, the Group is forecasting growth in its drone business. Retail drone sales (Parrot AR.Drone 2) are expected to contract slightly, pending the release of the next version of the fun, flying connected camera, which has already sold nearly 700,000 units since its launch in August 2010. On the other hand, sales of commercial and civil drones are expected to see strong growth. Parrot, which has just announced its acquisition of interests in three firms (cf. press release at <http://www.parrotcorp.com/fr/communiquedesdepresse>), has put together a portfolio of carefully selected start-ups and is encouraging technological synergies and cross-selling for its subsidiaries and partners..

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

Next financial dates

- March 6, 2014: Roadshow with TSAF (Paris, France).
- April 7 – 8, 2014: Small Cap Event (Paris, France).
- May 16, 2014 (before start of trading): publication of 2014 first-quarter earnings.

ABOUT PARROT

Founded in 1994 by Henri Seydoux, Parrot creates, develops and markets advanced consumer technology products for Smartphones and tablets. Parrot also offers the most extensive range of hands-free communication systems on the market for cars. Its globally recognised expertise in the fields of mobile connectivity and multimedia around Smartphones has positioned Parrot as a key player of in-car infotainment. Additionally, Parrot designs high-end wireless multimedia products dedicated to sound, and explores new possibilities with Bluetooth Smart technologies. Finally, Parrot is expanding on the UAV market with the Parrot AR.Drone, the first quadcopter piloted via Wi-Fi and also with new solutions to address the UAV market for professional use.

Parrot, headquartered in Paris, currently employs more than 850 people worldwide and generates the majority of its sales overseas. Parrot is listed on Euronext Paris since 2006. (FR0004038263 – PARRO). For more information: www.parrot.com

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APPENDICES

The consolidated accounts:

- were approved by the Board of Directors on February 26, 2014,
- have been audited and the certification report is currently being issued,
- include senseFly from the fourth quarter of 2012.

Breakdown of revenues by product (previous reporting format)

Consolidated accounts - IFRS (€M and % of Group revenues)	Q4 2012		Q4 2013		2012		2013	
Installed handsfree systems	15.4	21%	12.9	21%	59.6	21%	49.9	21%
Plug & Play products	4.5	6%	3.3	6%	12.2	4%	12.6	5%
Multimedia products ⁽¹⁾	21.6	30%	19.0	31%	53.1	19%	52.7	22%
Other ⁽²⁾	1.4	2%	0.9	1%	5.1	2%	4.8	2%
Total Retail revenues	42.9	59%	36.1	60%	130.0	46%	120.0	51%
Total Key Account revenues	30.1	41%	24.4	40%	150.5	54%	115.2	49%
Group total	73.0	-	60.5	-	280.5	-	235.2	-

(1) Multimedia products: Parrot By products and Parrot AR.Drone.

(2) "Other": (i) accessory sales (steering wheel-mounted controls, cables, etc.), (ii) ancillary sales to customers (marketing, delivery, etc.), and (iii) component sales to suppliers.

Breakdown of revenues by region (previous reporting format)

Consolidated accounts - IFRS (€M and % of Group revenues)	Q4 2012		Q4 2013		2012		2013	
EMEA	26.9	37%	22.6	37%	88.4	32%	77.2	33%
United States	11.6	16%	9.5	16%	27.1	10%	25.3	11%
Asia	4.4	6%	4.0	7%	14.5	5%	17.5	7%
Total Retail revenues	42.9	59%	36.1	60%	130.0	46%	120.0	51%
Total Key Account revenues	30.1	41%	24.4	40%	150.5	54%	115.2	49%
Group total	73.0	-	60.5	-	280.5	-	235.2	-

Breakdown of revenues by business (new reporting format)

Consolidated accounts - IFRS (€M and % of Group revenues)	Q4 2012		Q4 2013		2012		2013	
Consumer Electronics	10.1	14%	10.4	17%	23.6	8%	29.5	13%
Audio	5.6	8%	5.6	10%	11.3	4%	15.0	6%
Plug & Play	4.6	6%	3.5	6%	12.3	4%	13.2	6%
Connected objects and toys	0	0%	1.3	2%	0	-	1.3	1%
Automotive	45.7	63%	36.0	59%	212.5	76%	162.6	69%
Retail	16.9	23%	13.7	23%	64.6	23%	54.6	25%
Key Accounts	28.8	39%	22.2	37%	147.8	56%	107.9	43%
Drone	16.8	23%	13.8	23%	42.4	15%	42.1	18%
Retail	16.0	22%	11.8	20%	41.7	15%	35.8	15%
Professional	0.8	1%	2.0	3%	0.7	0%	6.3	3%
Other	0.5	1%	0.2	0%	2.0	1%	1.0	0%
Group total	73.0	-	60.5	-	280.5	-	235.2	-

Main aggregates for each business (new reporting format)

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

Condensed income statement (no change)

Consolidated accounts - IFRS (€M)	Q4 2012	Q4 2013	2012	2013
Revenues	73.0	60.5	280.5	235.1
Gross margin	38.1	29.3	142.9	118.3
<i>% of revenues</i>	<i>52.2%</i>	<i>48.5%</i>	<i>50.9%</i>	<i>50.3%</i>
Research and development costs	-11.1	-10.4	-39.3	-45.6
<i>% of revenues</i>	<i>15.2%</i>	<i>17.2%</i>	<i>14.0%</i>	<i>19.4%</i>
Sales and marketing costs	-13.8	-10.5	-46.6	-40.0
<i>% of revenues</i>	<i>18.9%</i>	<i>17.4%</i>	<i>16.6%</i>	<i>17.0%</i>
General and administrative costs	-3.5	-3.8	-14.2	-14.5
<i>% of revenues</i>	<i>4.8%</i>	<i>6.4%</i>	<i>5.1%</i>	<i>6.2%</i>
Production and quality costs	-2.9	-3.4	-10.9	-11.9
<i>% of revenues</i>	<i>4.1%</i>	<i>5.7%</i>	<i>3.9%</i>	<i>5.1%</i>
Income from ordinary operations	6.8	1.1	31.8	6.3
<i>% of revenues</i>	<i>9.3%</i>	<i>1.9%</i>	<i>11.3%</i>	<i>2.7%</i>
EBIT	6.8	0.9	31.5	6.1
<i>% of revenues</i>	<i>9.3%</i>	<i>1.5%</i>	<i>11.2%</i>	<i>2.6%</i>
Financial income / expense	-0.5	0.2	-0.3	-0.3
Share in income from equity affiliates	-0.2	-0.2	-0.4	-0.2
Corporate income tax	-1.7	-0.8	-6.5	-4.4
Minority interests	-	-0.2	-0.2	-0.4
Net income (Group share)	4.3	0.2	24.5	1.6
<i>% of revenues</i>	<i>6.0%</i>	<i>0.3%</i>	<i>8.7%</i>	<i>0.7%</i>

Balance sheet (no change)

Consolidated accounts - IFRS (€M)	Dec 31, 2012	Jun 30, 2013	Dec 31, 2013
Non-current assets	82.4	84.8	85.8
Goodwill	41.6	41.6	38.7
Other intangible fixed assets	26.4	29.3	33.4
Tangible fixed assets	9.4	8.9	7.5
Financial assets	2.8	1.9	1.7
Investments in associates	-	1.1	2.4
Deferred tax assets	2.2	2.0	2.0
Current assets	222.7	195.4	192.8
Inventories	43.7	32.0	24.2
Trade receivables	50.9	41.0	39.2
Other receivables	21.9	26.0	31.3
Other current financial assets	33.1	36.2	42.7
Cash and cash equivalents	73.1	60.2	55.4
TOTAL ASSETS	305.1	280.2	278.6
Shareholders' equity			
Share capital	1.9	1.9	1.9
Issue and contribution premiums	54.2	49.7	49.8
Reserves excluding earnings for the period	107.6	134.0	131.3
Earnings for the period - Group share	24.5	1.3	1.6
Exchange gains or losses	0.3	0.4	-1.1
Equity attributable to Parrot shareholders	188.5	187.3	183.5
Minority interests	-0.2	-0.4	-6
Non-current liabilities	38.6	35.3	30.8
Non-current financial liabilities	18.7	15.3	11.9
Pension provisions and related commitments	1.6	1.8	1.7
Deferred tax liabilities	0.3	0.2	0.2
Other non-current provisions	1.5	1.6	1.6
Other non-current liabilities	16.5	16.5	15.4
Current liabilities	78.1	58.0	64.8
Current financial liabilities	6.3	6.3	7.6
Current provisions	9.7	8.0	8.3
Trade payables	43.4	26.7	32.7
Current tax liability	1.3	2.0	2.0
Other current liabilities	17.4	14.9	14.2
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	305.1	280.2	278.6

Cash-flow statement (no change)

Consolidated accounts - IFRS (€M)	Dec 31, 2012	Jun 30, 2013	Dec 31, 2013
CASH FLOW FROM OPERATIONS			
Earnings for the period	24.3	1.1	1.2
Share in income from equity affiliates	NS	NS	0.2
Depreciation and amortization	6.6	3.8	9.7
Capital gains and losses on disposals	NS	0.2	0.7
Tax charges	6.5	2.5	4.4
Cost of share-based payments	4.1	2.2	3.1
Cost of net financial debt	-0.3	-0.3	-0.6
Cash flow from operations before tax and cost of net financial debt	41.1	9.4	18.7
Change in working capital	-17.7	-3.7	10.6
Tax paid	-4.0	0.1	-5.7
Net cash from operating activities (a)	19.5	5.8	23.6
INVESTING CASH FLOW			
Acquisition of tangible and intangible fixed assets	-17.3	-7.6	-15.9
Acquisition of subsidiaries, net of cash acquired	-0.9	-	-
Acquisition of long-term financial investments	-2.1	-0.3	NS
Disposal of long-term financial investments	NS	NS	NS
Cash flow from investment activities (b)	-20.3	-7.9	17.4
FINANCING CASH FLOW			
Equity contributions	1.2	0.2	0.3
Receipts linked to new loans	-	NS	-
Cash invested for over 3 months	0.7	-3.1	-9.6
Cost of net financial debt	0.3	0.3	0.6
Exchange hedging instruments	-	-	-
Repayment of short-term financial debt (net)	-	-	-
Repayment of other financing	-6.3	-3.1	-6.4
Treasury stock purchases and sales	-5.6	-5.2	-8.4
Cash flow from financing activities (c)	-9.6	-10.9	-23.5
Net change in cash position (d = a+b+c)	-10.5	-13.0	-17.2
Net exchange rate differences	NS	0.1	-1.6
Cash and cash equivalents at period-start	83.5	73.1	73.1
Cash and cash equivalents at period-end	73.1	60.1	54.3
Other current financial assets	33.1	36.2	42.7
Cash, cash equivalents and other current financial assets at period-end	106.2	96.4	96.9
