

2015 first-quarter earnings

Very strong growth for the Drone business

Subsidiarization of the OEM Automotive business

Consolidated accounts - IFRS (€M)	Q1 2014	Q1 2015	Change Q1/Q1	Q4 2014	FY 2014
Revenues	47.9	71.0	+48%	80.4	243.9
Gross margin	23.9	31.7	+33%	42.7	128.5
<i>% of revenues</i>	<i>49.8%</i>	<i>44.6%</i>		<i>53.1%</i>	<i>52.7%</i>
Income from ordinary operations	-3.6	-4.0	-12%	5.5	1.1
<i>% of revenues</i>	<i>-7.4%</i>	<i>-5.6%</i>		<i>6.9%</i>	<i>0.5%</i>
EBIT	-3.3	-4.4	-33%	4.7	0.6
<i>% of revenues</i>	<i>-6.9%</i>	<i>-6.2%</i>		<i>5.9%</i>	<i>0.2%</i>
Net income (Group share)	-3.6	-5.1	-42%	2.9	-2.6
<i>% of revenues</i>	<i>-7.4%</i>	<i>-7.2%</i>		<i>3.7%</i>	<i>-1.1%</i>
Earnings per share ⁽¹⁾	-0.28	-0.38	-36%	0.23	-0.20
Diluted earnings per share	-0.29	-0.38		0.23	-0.20
Net cash	72.8	66.0	-9%		77.2

(1) Accounting number of shares: 12,497,520; diluted number of shares: 12,497,520.

Revenues

Compared with the first quarter of 2014, consolidated revenues climbed +48% to 71.0 million euros for the first quarter of 2015 (+34% at constant exchange rates), in line with the objectives for accelerating growth in 2015. The very significant growth on drones (+356%) has to a great extent offset the expected contraction in the automotive business (-9%).

Drones

Over the first quarter of 2015, the Drone business (49% of Group revenues, versus 16% for Q1 2014) generated 34.6 million euros of revenues, up from 7.6 million euros for the same period the previous year (+356%). The operational losses (-3.3 million euros) recorded over the quarter factor reflects the investments made to support this development, as well as the seasonality of retail drone sales, and is geared to enable Parrot to build a long-term leadership.

Retail drones (28.6 million euros, representing 83% of Drone revenues, +483%) have benefited from the dynamic launch of the Parrot Bebop, on sale since the end of 2014. MiniDrones have also contributed to this performance, but to a lesser extent, as these products appear to have strong seasonality trends.

Commercial drones (6.0 million euros, representing 17% of Drone revenues, +164%) have confirmed their strong potential for growth for the third year running, across all the target markets (Agriculture, Mapping and Surveillance) and products (software or complete solutions). As an example, senseFly's eBee AG launched in 2014 has demonstrated its qualities for precision farming in a number of American States this quarter, thanks to favorable regulatory progress.

Automotive

For the first quarter of 2015, Automotive revenues (45% of Group revenues, versus 75% for Q1 2014) totaled 31.9 million euros, down 9% from the same period the previous year (-16% restated for the reclassification of Plug & Play products, now recorded under this business).

Retail Automotive products represented 35% of revenues for this business, with 65% for Key Account solutions. During the first quarter, the infotainment sector accounted for a low percentage of sales, while waiting for the nine contracts signed to be ramped up.

Following the strategic review carried out since January 2015, it has been decided to focus infotainment investments exclusively on the Key Account segment, which is more buoyant with the arrival of the connected car. On this segment, and once the investment programs have been finalized for chipsets (Parrot P7 at end-2014, Octopus 3 in June 2015) and modules (FC7100 in March 2015), the Automotive business will be focusing in priority on ramping up and standardizing the solutions offered. An internal mobility program has also made it possible to meet the growing needs of the Drone business. In addition, the reorganizations are enabling profitability to be maintained on this business, despite it contracting, with an operating margin of 6%.

To give the Key Account Automotive business the best potential for commercial development, a proposal will be submitted to Parrot's shareholders, during the general meeting on June 30, to subsidiarize this activity. With an independent legal structure, the Key Account Automotive business will be able to clarify its image in relation to its clients and partners, while being able to count on better assets to drive its development.

Connected Devices

For the first quarter of 2015, revenues from Connected Devices (6% of Group revenues, versus 10% for Q1 2014) came to 4.2 million euros, down 14%, but up 45% when restated for the reclassification of Plug & Play products. This increase is linked exclusively to the performance of the Parrot Zik 2 headphones, pending the various product launches scheduled for the end of the year. The operational losses (-1.8 million euros, versus -2.4 million euros for Q1 2014), linked to this division's long-term research programs, are being reduced, in line with the Group's roadmap.

Gross margin

The contraction in the gross margin rate (44.6% versus 49.8%) is largely due to the dollar's appreciation. The impact of the dollar's appreciation on revenues has been fully offset by the increase in costs, the majority of which are denominated in dollars.

EBIT

First-quarter income from ordinary operations totaled -4.0 million euros, down 0.4 million euros compared with the first quarter of 2014, but stable at constant exchange rates. Operating expenditure for the first quarter dropped to 35.7 million euros, down 4% from the fourth quarter of 2014. The expansion of the Drone business justifies the high level of expenditure. Over the period, the changes in the main cost items were as follows:

- The increase in R&D costs (+3.2 million euros versus Q1 2014, 21% of revenues) is exclusively due to the repositioning of engineers previously assigned to capitalized automotive research programs on drone development programs (not capitalized). The accounting impact of this reorganization is a further €4.1 million expense.
- The high level of sales and marketing costs (+3.8 million euros versus Q1 2014, 18% of revenues) reflects the ramping up of Retail products and the increase in marketing budgets, as well as the development of the commercial drone sales teams.
- The effective management of support functions (administrative costs and overheads / production and quality), which represented 11.5% of revenues (versus 14.7% for Q1 2014 and 11.1% in Q4 2014), is in line with the Group's usual diligence.
- Non-current operating expenditure totaled 0.4 million euros and concerned costs relating to the reorganization of Parrot SA, as well as proceedings to defend patents in the US (cf. press release from May 4, 2015). The legal developments with this case do not warrant a change of accounting approach at end-March 2015.

At March 31, 2015, the Group had 948 employees (944 at December 31, 2014) and its R&D teams made up 53% of the workforce, with 502 people. New recruitments are focusing exclusively on commercial drone activities, while the Group's other branches are currently well calibrated. In addition, Parrot employs 80 external contractors (versus 119 at December 31, 2014) temporarily covering any additional areas of expertise required.

Net income

Financial income for the first quarter totaled 0.7 million euros, generated by foreign exchange gains, with a tax expense of 1.0 million euros. Net income came to -5.0 million euros, compared with -3.8 million euros for the same period the previous year.

Cash flow and balance sheet at March 31, 2015

At March 31, 2015, Parrot had 66.0 million euros in net cash, down 11.2 million euros. Cash flow from operations for the period came to -11.5 million euros (+0.7 million euros for Q4 2014), primarily reflecting the increase in working capital requirements due to business growth and not recorded at the end of the previous year. Working capital requirements represented 21%, slightly higher than previous periods on account of the

large volumes of inventories. The lower level of investment has made it possible to limit cash consumption, while the share buyback program has allocated 2.5 million euros for the acquisition of 125,896 Parrot shares.

At March 31, 2015, net inventories represented 42.8 million euros (versus 31.8 million euros at December 31, 2014). Trade receivables totaled 51.3 million euros (versus 62.6 million euros at December 31, 2014), with 47.1 million euros in trade payables (versus 61.2 million euros at December 31, 2014). The Group's shareholders' equity represents 178.0 million euros (versus 183.8 million euros at December 31, 2014), with 14.2 euros in net assets per share.

Outlook for 2015

Parrot primarily aims to accelerate its growth in 2015 and gradually improve its profitability, which is increasingly sensitive to seasonality effects. In terms of each business, the Group is forecasting:

- Strong growth for the Drone business, made possible by the broader product portfolio rolled out since the second half of 2014 and further progress with commercial uses and technologies. The drive to accelerate in a rapidly growing sector, in which Parrot has strong assets in place, will logically be accompanied by a high level of investment in R&D, commercial distribution and industrialization.
- A contraction for the Automotive business, on a similar scale to 2014, waiting for the infotainment solutions that are currently being developed to move into production, with profitability expected to be maintained on this business.
- A resumption of growth for Connected Devices, thanks in particular to the expanded product portfolio rolled out (Parrot H2O, Parrot Pot and Parrot Zik Sport won awards at the 2015 CES) with a view to gradually improving this activity's results.

Parrot is moving forward with its ambitions for growth and giving itself the capabilities needed to step up its development within the drone ecosystem by focusing on technological innovation and value creation.

Next financial dates

- **May 21-22, 2015:** Oddo MidCap (Paris)
- **June 18, 2015:** roadshow in Frankfurt (Oddo)
- **June 30, 2015:** Parrot's general shareholders' meeting
- **July 30, before start of trading:** 2015 second-quarter earnings

ABOUT PARROT

Founded in 1994 by Henri Seydoux, Parrot creates, develops and markets advanced technology wireless products for consumers and professionals. The company builds on a common technological expertise to innovate and develop in three primary markets:

- Civil drones: With leisure quadricopters and solutions for professional use.
- Automotive: With the most extensive range of hands-free communication and infotainment systems for vehicles on the market.
- Connected objects: With a focus in audio and gardening.

Headquartered in Paris, Parrot currently employs more than 900 people worldwide and generates the majority of its sales overseas. Parrot has been listed on Euronext Paris since 2006. (FR0004038263 – PARRO). For more information, please visit www.parrot.com

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APPENDICES

The consolidated financial statements (IFRS) are not audited and were approved by the Board of Directors on May 12, 2015.

Breakdown of revenues by business

€M and % of Group revenues	Q1 2014		Q1 2015		Q4 2014		FY 2014	
Drones	7.6	16%	34.6	49%	37.1	46.1%	83.0	34.0%
Retail	5.3	11%	28.6	40%	33.8	42.0%	70.5	28.9%
Commercial and Civil	2.3	5%	6.0	9%	3.3	4.1%	12.5	5.1%
Automotive	35.0	73%	31.9	45%	33.0	41.0%	135.0	55.4%
Retail (1)	11.9	25%	11.1	16%	12.4	15.4%	44.5	18.2%
Key Accounts	23.1	48%	20.8	29%	20.6	25.6%	90.5	37.1%
Connected Devices	4.9	10%	4.2	6%	9.6	11.9%	24.0	9.8%
Audio	2.5	5%	3.9	5%	5.3	6.6%	12.4	5.1%
Plug & Play (1)	2.0	4%	--	--	3.2	4.0%	9.3	3.8%
Other Connected Devices	0.3	1%	0.3	1%	1.1	1.4%	2.1	0.9%
Other	0.4	1%	0.3	NS	0.6	0.7%	2.0	0.8%
Group total	47.9	-	71.0	-	80.4	-	243.9	-

(1) Plug & Play revenues are reclassified from Connected Devices to Retail Automobile as of January 1st, 2015.

Main aggregates for each business

€M	Drones	Automotive	Connected Devices	Other
Q1 2015				
Revenues	34.6	31.9	4.2	0.3
Income from ordinary operations	-3.3	2.1	-1.8	-0.9
<i>% of revenues</i>	-10%	6%	-44%	-
Q4 2014				
Revenues	33.0	37.1	9.6	0.6
Income from ordinary operations	6.9	0.9	-1.7	-0.6
<i>% of revenues</i>	21%	2%	-18%	-
Q1 2014				
Revenues	7.6	35.0	4.9	0.4
Income from ordinary operations	-1.4	0.8	-2.4	-0.5
<i>% of revenues</i>	-18%	2.0%	-49%	-

Income statement

€M	Q1 2014	Q1 2015	Q4 2014	FY 2014
Revenues	47.9	71.0	80.4	243.9
Gross margin	23.9	31.7	42.7	128.5
<i>% of revenues</i>	49.8%	44.6%	53.1%	52.7%
R&D costs	-11.6	-14.8	-12.7	-50.1
<i>% of revenues</i>	24.2%	20.9%	-15.8%	-20.6%
Sales and marketing costs	-8.8	-12.6	-15.5	-45.9
<i>% of revenues</i>	18.4%	17.8%	-19.3%	-18.8%
Administrative costs and overheads	-3.4	-4.5	-4.5	-16.7
<i>% of revenues</i>	7.2%	6.3%	-5.6%	-6.9%
Production and quality costs	-3.6	-3.7	-4.4	-14.6
<i>% of revenues</i>	7.5%	-5.2%	-5.5%	-6.0%
Income from ordinary operations	-3.6	-4.0	5.5	1.1
<i>% of revenues</i>	-7.4%	-5.6%	6.9%	0.5%
EBIT	-3.3	-4.4	4.7	0.6
<i>% of revenues</i>	-6.9%	-6.2%	5.9%	0.2%
Financial income / expense	0.3	0.7	-0.6	0.6
Share in income from associates	-	-	-	-
Corporate income tax	-0.9	-1.0	-1.1	-4.0
Net income (Group share)	-3.6	-5.1	2.9	-2.6
<i>% of revenues</i>	-7.6%	-7.6%	3.7%	-1.1%
Minority interests	-0.2	0.4	NS	-0.3
Net income	-3.8	-4.7	2.9	-2.8