

## 2015 third-quarter earnings

**Continued growth for the Drone business (+60%)**  
**Finalization of moves to optimize the Group's structure**  
**Revenues of at least 105 million euros expected for the fourth quarter**

## Stronger ambitions mapped out for Consumer and Commercial Drones

**Proposed capital increase with preferential subscription rights  
maintained for shareholders**

### Earnings for the third quarter of 2015 and the nine-month period ended September 30, 2015

Consolidated accounts IFRS (€M)	Q3 2014 <sup>1</sup>	Q3 2015	Change Q3	9 months 2014 <sup>1</sup>	9 months 2015
<b>Revenues</b>	<b>63.6</b>	<b>77.8</b>	+22%	<b>163.5</b>	<b>218.1</b>
<b>Gross margin</b>	<b>33.9</b>	<b>35.9</b>	+6%	<b>85.8</b>	<b>102.2</b>
<i>% of revenues</i>	53%	46%		52%	47%
<b>Income from ordinary operations</b>	<b>2.0</b>	<b>2.0</b>	0%	<b>-3.3</b>	<b>-3.7</b>
<i>% of revenues</i>	3%	3%		-2%	-2%
<b>EBIT</b>	<b>1.0</b>	<b>4.9</b>	+373%	<b>-4.1</b>	<b>-3.0</b>
<i>% of revenues</i>	2%	6%		-3%	-1%
<b>Net income (Group share)</b>	<b>0.7</b>	<b>6.2</b>	+730%	<b>-5.5</b>	<b>-3.9</b>
<i>% of revenues</i>	1%	8%		-3%	-2%
<b>Earnings per share <sup>(*)</sup></b>	<b>0.06</b>	<b>0.49</b>	+741%	<b>-0.44</b>	<b>-0.31</b>
<b>Diluted earnings per share</b>	0.06	0.49		-0.44	-0.31
<b>Net cash</b>				<b>68.2</b>	<b>44.9</b>

\* Accounting number of shares: 12,553,774 diluted number of shares: 12,553,774 (weighted average number of shares outstanding)

<sup>(1)</sup> 2014 data include the reclassification of 1 million euros of legal fees as non-current expenses.

### Revenues

Consolidated revenues for the third quarter of 2015 came to 77.8 million euros, up +22% from the third quarter of 2014 (+10% at constant exchange rates). The very significant growth in Drone sales (+60%) has to a great extent offset the expected contraction in the Automotive business (-8% like-for-like<sup>1</sup>).

Over the first nine months of 2015, Parrot's revenues grew 33% (+19.7% at constant exchange rates) to 218.1 million euros, in line with the full-year objectives to accelerate growth compared with -6% for the first nine months of 2014. The Drone business, which now represents 50% of the Group's revenues, has achieved 139% growth. Alongside this, the Automotive business contraction has gradually eased, with revenues down 11% (compared with -38% for the first nine months of 2014).

<sup>1</sup> Plug & Play revenues, included in the Connected Devices business until December 31, 2014, have been reclassified under the Retail Automotive business since January 1, 2015. The data for 2014 are presented after the reclassification of Plug & Play revenues in the Retail Automotive business.

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## Drones

During the third quarter of 2015, Drone revenues (57% of Group revenues, versus 44% in Q3 2014) came to 44.4 million euros, compared with 27.7 million euros for the same period the previous year (+60%). The volume of sales for the quarter made it possible to generate an operating margin of 5%, with contributions from both branches: Consumer Drones and Commercial Drones.

Consumer Drones generated 38.8 million euros of revenues (87% of Drone revenues), up 60%. The dynamic commercial performance for the third quarter of 2015 benefited from the expansion of the MiniDrones range (13 new models, compared with two in H2 2014) and the Parrot Bebop (launched in Q4 2014), as well as the increase in the number of points of sale. The new distribution agreements in the US with Target and AT&T (cf. press release from October 2, 2015) made a minor contribution during this period.

Commercial Drones generated 5.6 million euros of revenues (13% of Drone revenues), up 59% (+50% like-for-like). The subsidiaries senseFly, Pix4D and Airinov (consolidated for the first time after the Group's interest was increased to 59% of its capital in September 2015, cf. press release from October 2, 2015) are developing strongly on the Group's three target markets: mapping, precision farming and inspection / surveillance.

## Automotive

For the third quarter of 2015, Automotive revenues (39% of Group revenues, versus 52% in Q3 2014) came to 30.2 million euros, down 8% compared with the same period the previous year (Plug & Play sales included for 2014 and 2015, cf. Note 1 on Page 1). The operating margin for the period represents 7% of revenues for the business, in line with the Group's expectations.

Retail Automotive products represent 55% of revenues for the Automotive business line, up 54%, driven by the French ban on handsfree kits using headsets, which came into force in June 2015.

OEM solutions represent 45% of revenues for the business, down 38%, linked to the end of a longstanding Bluetooth contract. Sales of Infotainment solutions have benefited from a fourth contract starting up during the quarter, as announced, with Parrot supplying its in-car digital television platform for Jeeps sold in Japan. In October, Parrot also started up production for a complete infotainment solution for Honda's Legend sedan.

## Connected Devices

In the third quarter of 2015, Connected Devices (3% of Group revenues, versus 4% in Q3 2014) generated 2.7 million euros of revenues. The performance levels achieved by the Parrot Zik 2.0 headphones are up slightly, pending the commercial launch of the Parrot Zik 3, which is now underway.

## Gross margin

The gross margin represents 46% of revenues, compared with 53% for the third quarter of 2014. The US Dollar's appreciation against the Euro is the main factor behind this change. To a lesser extent, the margin ratio has been temporarily affected by the high percentage of Plug & Play products for the quarter, as well as the new Consumer Drones, in their launch phase. It usually takes new products a few months after being released before they achieve their optimum margin levels.

## EBIT

Current operating expenditure totaled 33.9 million euros. The level of expenditure for this quarter reflects a temporary scaling back of marketing spending, pending the campaigns to support sales at the end of the year. Income from ordinary operations came to 2.0 million euros for the third quarter (stable versus Q3 2014). The changes in the main cost items were as follows:

- A limited increase in R&D spending (+0.7 million euros versus Q3 2014, 18% of revenues) despite the lower level of capitalized programs and in line with the finalization of the new drones for 2015.
- A reduction in sales and marketing spending (-0.91 million euros versus Q3 2014, 14% of revenues), factoring in a policy to limit advertising investments over the period in order to maximize the resources allocated for marketing actions covering the end-of-year holiday period.
- An increase in overheads (+1.0 million euros versus Q3 2014, 13% of revenues), temporarily affected by various non-recurring elements (insurance, acquisition costs).
- The effective management of production and quality costs, despite new drones being launched and business ramping up.
- Other operating income and expenses, for 2.8 million euros, reflect the remeasurement at fair value of the interest in Airinov, after deducting external costs relating to the reorganization of Parrot SA and the 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 the accounting assessment at end-September 2015.

At September 30, 2015, the Group's workforce represented 978 people (952 at June 30, 2015 and 909 at September 30, 2014). R&D teams make up 48% of the workforce, with 470 people, and 146 people are assigned to Commercial Drone activities (including 29 people at Airinov). In addition, Parrot employs 74 external contractors (versus 70 at June 30, 2015) temporarily covering any additional areas of expertise required.

## Net income

Financial income and expenses for the third quarter came to -0.5 million euros, while corporate income tax includes an activation of deferred tax assets on Parrot Inc after this subsidiary became profitable again. Net income represents 6.1 million euros, compared with 0.7 million euros for the same period the previous year.

## Cash flow and balance sheet at September 30, 2015

At September 30, 2015, Parrot had 44.9 million euros in net cash (versus 77.2 million euros at December 31, 2014). Cash flow from operations for the first nine months of 2015 came to -18.6 million euros, primarily reflecting the change in working capital requirements (-24.4 million euros), in line with business growth and preparations for the fourth quarter. Investments totaled -15.5 million euros (versus -14.9 million euros at September 30, 2014): the interests acquired in Commercial Drone companies offset the reduction in capitalized R&D. Cash flow from financing activities came to 6.0 million euros over nine months, factoring in share buybacks for the period (2.9 million euros), as well as the new credit lines (11.4 million euros) and the repayment of short-term financial debt (10.7 million euros).

At September 30, 2015, the change in the balance sheet reflects the ramping up of Consumer and Commercial Drones: net inventories represented 48.7 million euros (i.e. 66 days of revenues, versus 43 at end-2014), with 63.4 million euros in trade receivables (i.e. 77 days, in line with the ratio from end-2014) and 50.7 million euros in trade payables, in line with the production of new products. The Group's shareholders' equity represents 158.0 million euros (versus 156.8 million euros at June 30, 2015), with this change reflecting the revaluation of options to acquire interests in the Commercial Drone subsidiaries in view of expected improvements in performance levels.

## Outlook for the fourth quarter of 2015

In line with its strategy for strong growth on civil drones (Consumer and Commercial) and its transition in the automotive business, during the first nine months of the year Parrot put in place the pillars for its sustainable expansion.

While remaining cautious, particularly on account of the strong seasonality of its activities with the end-of-year holiday period, and on the basis of the assumptions described in section 10.1.1 of the Update to its 2014 Reference Document, the Group has set the following targets for full-year 2015:

- Revenue growth for the fourth quarter of at least 31% compared with the fourth quarter of 2014, with quarterly revenues of over 105 million euros, and revenue growth of at least 33% for the whole year, with full-year revenues of at least 324 million euros;
- Income from ordinary operations approximately breaking even.

*The forecasts given above are based on assumptions, data and estimates considered reasonable by the Group at the date of this press release. These assumptions, data and estimates may change or be modified due to uncertainties related to changes in the economic, financial, competitive, regulatory environment or based on other factors that the Group would not have knowledge of to date. Furthermore, the materialization of certain risks described in Chapter IV "Risk Factors" in the Registration Document and Chapter III "Risk Factors" of the Update to the Registration Document, is likely to have an impact on the Group's ability to achieve its forecasts. The Group does not commit nor gives any guarantee that it will meet the targets mentioned above.*

## Proposed capital increase with preferential subscription rights maintained for shareholders

Parrot is today announcing a proposed capital increase with preferential subscription rights maintained for shareholders for a total that could range from 270 to 300 million euros (the “**Capital Increase**”).

In a rapidly and strongly expanding market, this proposed Capital Increase will enable Parrot to accelerate its development and consolidate its leading position on the Consumer and Commercial Drone markets.

From optimizing the Group’s organization to adapting to innovation cycles in the automotive industry, making technological advances on drones and expanding its distribution network, the Group is laying the foundations for its future development and moving forward with its rapid expansion on the Consumer and Commercial Drone markets.

With its strong brand, its renowned capacity for innovation and know-how, and its unique positioning throughout the value chain for civil drones (drones, sensors, software and related services), Parrot notably intends to capitalize on its industrial expertise and its proven global organization to:

- Continue moving forward with its ambitious research and development strategy in order to sustain its rapid pace of innovation, while maintaining the specific features of Parrot’s products: lightweight, reliable and easy-to-use;
- Continue with its rapid development on the commercial drone market, capitalizing on opportunities for external growth on this market, accelerating the development of a commercial drone ecosystem (around the successful integration of companies such as senseFly, Pix4D, Airinov and Micasense), and launching centralized platforms with additional high value-added services for mapping, farming and inspection / surveillance, aiming to ensure that the Parrot Group’s solutions can deliver productivity improvements for numerous professions (surveyors, photographers, architects, project managers, etc.);
- Maintain its position as a recognized leader on the consumer drone market, continuing with its strategy for rapid sales growth supported by a strengthening of its operational structure, particularly in terms of marketing, sales and distribution.

Mr Henri Seydoux, Parrot’s main shareholder (with approximately 36.2% of its capital) through Horizon, the company that he controls, has confirmed that he intends to participate in this operation for around 90 million euros.

This proposed Capital Increase is in line with the authorizations granted at the extraordinary general shareholders’ meeting on November 6, 2015 to increase the capital while maintaining shareholders’ preferential subscription rights.

Parrot’s decision to effectively launch this operation could be taken quickly, notably subject to market conditions and the approval of the prospectus for this operation by the French financial markets authority (“**AMF**”). If applicable, the definitive conditions for the Capital Increase will be set out in the prospectus approved by the AMF and announced following the AMF’s approval. Parrot has therefore filed an Update to its 2014 Reference Document<sup>2</sup> with the AMF today, under number D.15-0468-A01, including the Parrot Group’s consolidated financial statements for the nine-month period ended September 30, 2015, a presentation of the Parrot Group’s new organization following the subsidiarization of its Automotive branch and its Drones/Connected Devices branch, as well as an updated presentation of the Parrot Group’s business, markets, development prospects and risk factors.

Before taking any decision to invest in Parrot securities (or, if applicable, any decision to participate in the Capital Increase), investors are invited to carefully review the risk factors presented in Section IV (Risk factors) of Parrot’s Reference Document for 2014, Section III (Risk factors) of the Update to Parrot’s Reference Document for 2014 and, if applicable, those described in the transaction memorandum included in the prospectus approved by the AMF.

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<sup>2</sup> Copies of Parrot’s Reference Document for 2014 and the Reference Document Update for 2014 are available free of charge from the Company’s registered office (174-178 quai de Jemmapes, 75010 Paris, France), the Company’s website ([www.parrot.com](http://www.parrot.com)) and the website of the French financial markets authority ([www.amf-france.org](http://www.amf-france.org)).

## ABOUT PARROT

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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](http://www.parrot.com)

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## APPENDICES

The consolidated financial statements (IFRS) have been subject to a limited review by the statutory auditors and were approved by the Board of Directors on November 10, 2015. The financials for "Commercial Drones" include senseFly, Pix4D and Airinov on a fully consolidated basis.

### Breakdown of revenues by business

Consolidated accounts – IFRS (€M and % of Group revenues)	Q3 2014		Q3 2015		9M 2014		9M 2015	
<b>Automotive</b>	<b>32.8</b>	52%	<b>30.2</b>	39%	<b>108.2</b>	66%	<b>96.3</b>	44%
Retail*	10.9	17%	16.7	21%	38.3	23%	43.3	20%
OEM	21.9	34%	13.5	17%	70.0	43%	53.0	24%
<b>Drones</b>	<b>27.7</b>	44%	<b>44.4</b>	57%	<b>45.8</b>	28%	<b>109.4</b>	50%
Consumer	24.2	38%	38.8	50%	36.7	22%	90.1	41%
Commercial	3.5	6%	5.6	7%	9.2	6%	19.3	9%
<b>Connected Devices*</b>	<b>2.7</b>	4%	<b>2.7</b>	3%	<b>8.1</b>	5%	<b>10.9</b>	5%
Audio	2.3	4%	2.4	3%	7.1	4%	9.9	5%
Other Connected Devices	0.3	1%	0.2	-	1.0	1%	1.1	1%
<b>Other</b>	<b>0.5</b>	1%	<b>0.6</b>	1%	<b>1.4</b>	1%	<b>1.4</b>	1%
<b>Group total</b>	<b>63.6</b>	100%	<b>77.8</b>	100%	<b>163.5</b>	100%	<b>218.1</b>	100%

\* Plug & Play revenues, included in the Connected Devices business until December 31, 2014, have been reclassified under the Retail Automotive business since January 1, 2015. The data for 2014 are presented after the reclassification of Plug & Play revenues in the Retail Automotive business.

### Main aggregates for each business

€M	Drones <sup>(1)</sup>	Automotive	Connected devices	Other
<b>Q1 2015</b>				
Revenues	34.6	31.9	4.2	0.3
Income from ordinary operations	-3.3	2.1	-1.8	-0.9
% of revenues	-10%	6%	-44%	-
<b>Q2 2015</b>				
Revenues	30.4	34.2	4.1	0.6
Income from ordinary operations	-3.9	3.3	-0.5	-0.8
% of revenues	-13%	10%	-11%	-
<b>Q3 2015</b>				
Revenues (actual)	44.4	30.2	2.7	0.6
Income from ordinary operations	2.1	2.1	-1.5	-0.7
% of revenues	5%	7%	-57%	-

### Condensed income statement

Consolidated accounts IFRS (€M)	Q3 2014 <sup>(1)</sup>	Q3 2015	9M 2014 <sup>(1)</sup>	9M 2015
Revenues	63.6	77.8	163.5	218.1
Gross margin	33.9	35.9	85.8	102.2
% of revenues	53.2%	46.1%	52.5%	46.9%
R&D costs	-13.3	-14.0	-37.4	-43.8
% of revenues	-20.8%	-18%	-22.9%	-20.1%
Sales and marketing costs	-12.2	-11.3	-30.4	-36.5
% of revenues	-19.1%	-14.5%	-18.6%	-16.7%
Administrative costs and overheads	4.0	-5.0	-11.2	-14.3
% of revenues	-6.3%	-6.4%	-6.8%	-6.6%
Production and quality costs	-3.4	-3.7	-10.2	-11.4
% of revenues	-5.3%	-4.7%	-6.2%	-5.2%
Income from ordinary operations	2.1	2.1	-3.3	-3.7
% of revenues	3.3%	2.6%	-2.0%	-1.7%
EBIT	1.0	4.9	-4.1	-3.0
% of revenues	1.6%	6.2%	-2.5%	-1.4%
Financial income / expense	0.7	-0.5	1.2	0.2
Share in income from associates	-	-0.1	-	-0.1
Corporate income tax	-1.1	2.4	-2.9	-0.08
Minority interests	-0.1	0.4	-0.3	1.0
Net income (Group share)	0.7	6.2	-5.5	-4.0
% of revenues	1.2%	7.9%	-3.4%	-1.8%

<sup>(1)</sup> 2014 data include the reclassification of 1 million euros of legal fees as non-current expenses.

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*The rights issue will be open to the public in France only pursuant to a prospectus having received the visa of the French Autorité des marchés financiers (the "**AMF**") and prepared in accordance with the Prospectus Directive.*

*With respect to each Member State of the European Economic Area other than France which has implemented the Prospectus Directive (the "**Member State**"), no action has been undertaken or will be undertaken to make an offer to the public of securities requiring a publication of a prospectus in any Member State. As a result, the securities of Parrot may only be offered in relevant Member States (i) to qualified investors, as defined by the Prospectus Directive; or (ii) in any other circumstances, not requiring Parrot to publish a prospectus as provided under Article 3(2) of the Prospectus Directive.*

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