
2020 FIRST-HALF EARNINGS

- **Impact of the health crisis on sales trends and earnings**
- **Continuity of operations and roadmap respected despite the pandemic**
- **ANAFI USA launched in June: extremely high-performance and secure drone designed in France and built in the US**
- **Continued progress to further strengthen the strategy for professionals, businesses and institutions**

2020 first-half business

Business for the first half of 2020 was marked by the context of the health and economic crisis spreading around the world and a roadmap designed to support sales development over the second half of the year. These factors are reflected in consolidated revenues of €26.5m, down 33% from the first half of 2019 (-23% in Q1 2020, -42% in Q2 2020), with a marked contraction in sales from mid-March linked to the closure of non-essential stores and the transport restrictions. The slowdown in commercial activity primarily concerns hardware (drones and sensors), while software sales - which are fully online - have been more resilient.

From the start of March 2020, all of the Group's business units rolled out various health measures and set up the majority of staff to work from home, with all the infrastructures and systems in place, ensuring the continuity of operations, while protecting the teams. Furlough measures were introduced from April focused on support staff and have not affected research and development capabilities. The Group has not experienced any difficulties with access to components or production, and has been able to adapt to the restrictions on movement. At end-July, the Group is still widely encouraging staff to work from home and its teams remain firmly focused on implementing the roadmap in terms of R&D, as well as commercial operations and development in the Defense and Security sector.

During this period, Parrot notably continued to professionalize its ANAFI offering, launching the ANAFI USA at the start of June¹. This new drone, offering a combination of advanced features and sensors, is built to meet the demands of first responders, firefighters, search-and-rescue teams, security agencies, construction and inspection professionals. Developed in France and built in the US, it is aligned with the highest security and traceability standards and offers a high-performance, reliable and highly secure solution for diverse market operators (institutions, businesses, pro pilots).

Alongside this, the Group is moving forward with its efforts to provide solutions (drones and software) for armed forces and security services (police, fire services, etc.). For the SRR program with the United States Department of Defense, which Parrot Drones has been working on for the past 15 months, the results initially expected for this summer could be put back to the autumn.

The extension of the range of commercial products and solutions is being supported by a dedicated strategy to meet the specific needs of these clients and a growing number of initiatives to facilitate drone integration within software and services used by these professionals. The SDK (Software Development Kit) Program, launched in 2019 to create an ecosystem of professional applications, is leading to the first technological and commercial partnerships with major market operators specialized in airspace management or drone fleet deployment for businesses, such as Kittyhawk, Skyward and Dronesense. Pix4D's software solutions are tailored to the specific demands of the core target industries (agriculture, inspection, security and defense) and further strengthened to meet the needs of large businesses (Pix4Dengine, Pix4Dcloud). These advances are also enabling the Group to take part in a growing number of calls for tenders, as well as working groups looking at changes to the regulatory framework.

(1) https://s3.eu-central-1.amazonaws.com/corporate.parrot.com/files/s3fs-public/2020-06/Parrot-ANAFI-USA_PressRelease_US.pdf

2020 first-half earnings

€m and % of revenues	H1 2020	H1 2019	Change
Revenues	26.5	39.7	-33%
- Of which, Parrot Drones	8.1	16.6	-51%
- Of which, Pix4D	10.8	10.7	+1%
- Of which, senseFly	5.3	8.1	-35%
- Of which, Micasense	2.8	4.3	-35%
- Of which, Airinov ⁽¹⁾	--	0.7	--
Gross margin <i>% of revenues</i>	19.3 72.8%	25.2 63.6%	-23%
Income from ordinary operations <i>% of revenues</i>	-20.9 -78.9%	-13.0 -32.7%	-61%
EBIT <i>% of revenues</i>	-20.9 -79.1%	-13.2 -33.2%	-58%
Net income (Group share) <i>% of revenues</i>	-22.1 83.6%	-13.8 -34.9%	-60%

(1) Subsidiary closed in 2019.

For the first half of 2020, the **gross margin** represents 73% of revenues (versus 64% in H1 2019), linked to the ramping up of the dedicated offers and solutions for professionals and the continued reduction in consumer product sales.

Current operating expenditure came to €40.1m for the first half of this year, compared with €38.3m for the same period in 2019, with this increase allocated almost exclusively to R&D (launch of ANAFI USA, Pix4Dreact and Pix4DSurvey) and the ongoing innovation strategy. The change in other cost items reflects a lower level of sales and marketing costs (-21%) and production costs (-12%) linked to the health measures and the product portfolio's realignment around professional targets. In the current context, the Group is maintaining strict control over costs and is activating support measures locally (furlough and payment holidays in France, furlough and government-backed loans in Switzerland and Germany), for a total amount (savings / assistance and in a smaller portion payment delays) of around €2.3m for the first half of this year, taking into account the maintenance of operations for the Group's various business units. At June 30, 2020, the Group's **workforce** (permanent and fixed-term contracts) represented 539 people (545 at December 31, 2019), in addition to 79 external contractors (75 at December 31, 2019).

After -€0.5m of financial income and expenses and a -€0.4m share of income from associates, **consolidated net income (Group share)** represents -€22.1m, compared with -€13.8m for the first half of 2019.

Changes in the cash position and balance sheet at June 30, 2020

At June 30, 2020, net cash represents €105.1m.

Taking into account EBITDA of -€21.2m (versus -€17.3 in H1 2019), net cash consumption for the first half of the year came to €19.8m, with a +€1.0m change in working capital requirements. It reflects a slight increase in inventories (+5%) and a significant reduction in trade receivables (-39%) and trade payables (-28%) in relation with the slowdown of sales and purchases.

Outlook for 2020

In 2019, the Group turned its situation around and freed up additional flexibility to continue moving forward with its strategy for innovation and expansion on its key markets: 3D Mapping, Geomatics, Inspection, Precision Farming and Security.

In 2020, on a market for commercial drones and solutions whose short-term development is still difficult to estimate, the Group notably expects to make progress with its projects in the Defense and Security sector, while continuing to roll out a sales strategy targeting professionals, businesses, key accounts and governments.

With regard to the coronavirus crisis, the Group has not at this stage encountered any significant issues in terms of sourcing supplies, production or operations. The majority of the Group's employees are still working remotely, where possible with all the systems infrastructures in place, ensuring the continuity of the business, while protecting the teams. The Group remains focused on moving forward with its projects in 2020 and vigilant concerning the potential impact of the health measures on their finalization.

The Group does not expect activity to pick up again over the second half of the year, as certain markets, including the agricultural sector, benefit from stronger seasonality at the start of the year. Now positioned on commercial applications, the Group's sales are still dependent on clients' investment decisions and the activity of its distribution networks.

The Parrot Group has €105.1m of net cash at June 30 and it has further strengthened its budgetary discipline to adapt to the current situation. In an uncertain economic environment, this financing capacity will enable the Group to continue developing its positions on professional markets.

Next financial date

- 2020 third-quarter revenues: November 18, 2020, before start of trading.

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 positioned across the entire value chain, from equipment to services and software. Its micro-drones, well known for their high performance and ease of use, address the needs of consumers as well as professionals. The Group also 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 its subsidiaries www.pix4d.com, www.sensefly.com, www.micasense.com.

CONTACTS

Investors, analysts, financial media

Marie Calleux - T. : +33(0) 1 48 03 60 60
parrot@calyptus.net

Consumer and tech media

Cecilia Hage - T. : +33(0) 1 48 03 60 60
cecilia.hage@parrot.com

APPENDICES

The accounts for the first half of the year 2020 were reviewed by the Board of Directors on July 29, 2020. The statutory auditors have completed the limited review procedures on the condensed consolidated accounts at June 30, 2020. The limited review report will be issued once the procedures required for it to be issued have been finalized.

BREAKDOWN OF REVENUES BY BUSINESS UNIT AND BUSINESS LINE

€m and % of revenues	Q1 2020		Q2 2020		H1 2020		H1 2019 ⁽³⁾		Change
Parrot Drones (microdrones)	3.2	23%	4.9	39%	8.1	31%	16.6	42%	-51%
<i>Of which, legacy consumer products⁽¹⁾</i>	0.5	4%	0.5	4%	1.0	4%	3.6	9%	-72%
Pix4D (software)	6.1	44%	4.7	38%	10.8	41%	10.7	27%	1%
senseFly (drones and sensors)	3.5	25%	1.8	14%	5.3	20%	8.1	20%	-35%
MicaSense (sensors and services)	1.4	10%	1.4	11%	2.8	10%	4.3	11%	-36%
Parrot SA	0	0%	0.1	1%	0.1	1%	0.7	2%	-81%
Intragroup eliminations	-0.3	-2%	-0.4	-3%	-0.7	-3%	-1.3	-3%	-48%
PARROT GROUP TOTAL	13.8		12.6		26.5		39.7		-33%
DRONE TOTAL⁽²⁾	13.4	97%	11.9	94%	25.3	96%	36.1	91%	-30%

(1) Legacy consumer products: previous drone ranges (Bebop, Disco, Mini Drones), automotive products (car kit, plug & play) and connected devices.

(2) "Drone total" is an alternative performance indicator to measure the impact of strategic decisions; for the periods presented, it is determined by deducting from the Group's total revenues the activities that are at the end of their lives or have been shut down, i.e. Parrot Drones' legacy consumer products, Airinov's revenues and Airsupport's revenues.

(3) The Group's total revenues in 2019 include Airinov, which no longer made a contribution in 2020 after this company was shut down.

CONSOLIDATED INCOME STATEMENT

IFRS in €m and % of revenues	H1 2020	H1 2019
Revenues	26.5	39.7
Cost of sales	(7.2)	(14.4)
Gross margin	19.3	25.2
<i>% of revenues</i>	72.8%	63.6%
R&D costs	(21.3)	(17.1)
<i>% of revenues</i>	(80.7%)	(43.1%)
Sales and marketing costs	(8.7)	(11.1)
<i>% of revenues</i>	(33.0%)	(28.0%)
Administrative costs and overheads	(6.9)	(6.6)
<i>% of revenues</i>	(26.3%)	(16.6%)
Production and quality costs	(3.1)	(3.4)
<i>% of revenues</i>	(11.7%)	(8.6%)
Income from ordinary operations	(20.9)	(13.0)
<i>% of revenues</i>	(78.9%)	(32.7%)
Other operating income and expenses	(0.05)	(0.2)
EBIT	(20.9)	(13.2)
<i>% of revenues</i>	(79.1%)	(33.2%)
Financial income and expenses	(0.6)	0.0
Share in income from associates	(0.4)	(0.3)
Corporate income tax	(0.2)	(0.2)
Net income	(22.2)	(13.8)
Minority interests	(0.06)	0.06
Net income (Group share)	(22.1)	(13.8)
<i>% of revenues</i>	(83.6%)	(34.9%)

CONSOLIDATED BALANCE SHEET

ASSETS - IFRS, €m	Jun 30, 2020	Dec 31, 2019
Non-current assets	20.5	20.9
Goodwill	-	-
Other intangible assets	0.4	0.4
Property, plant and equipment	2.2	2.2
Right of use	6.7	6.6
Investments in associates	5.1	5.6
Financial assets	4.6	4.4
Non-current lease receivables	1.2	1.6
Deferred tax assets	0.2	0.2
Current assets	145.5	168.2
Inventories	14.0	13.3
Trade receivables	6.3	10.3
Tax receivables	6.7	6.0
Other receivables	10.9	11.2
Current lease receivables	0.8	0.7
Other current financial assets	-	-
Cash and cash equivalents	106.9	126.6
TOTAL ASSETS	166.0	189.1
Shareholders' equity	117.8	139.5
Share capital	4.6	4.6
Additional paid-in capital	331.7	331.7
Reserves excluding earnings for the period	(203.5)	(174.3)
Earnings for the period - Group share	(22.1)	(29.6)
Exchange gains or losses	6.6	6.3
Equity attributable to shareholders	117.3	138.7
Minority interests	0.5	0.5
Non-current liabilities	11.0	10.9
Non-current financial liabilities	1.6	1.5
Non-current lease liabilities	5.4	5.7
Provisions for pensions and other employee benefits	0.9	0.9
Deferred tax liabilities	0.0	0.0
Other non-current provisions	1.0	0.1
Other non-current liabilities	2.9	2.6
Current liabilities	36.4	38.9
Current financial liabilities	0.2	-
Current lease liabilities	3.4	3.4
Current provisions	4.5	5.2
Trade payables	11.7	16.3
Current tax liabilities	0.1	0.0
Other current liabilities	16.5	14.0
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	166.0	189.1

CASH-FLOW STATEMENT

IFRS (€m)	Jun 30, 2020	Dec 31, 2019
Operating cash flow		
Earnings for the period from continuing operations	(22.2)	(29.6)
Share in income from associates	0.4	0.6
Depreciation and amortization	2.5	(10.5)
Capital gains and losses on disposals	(0.0)	1.0
Tax expense	0.2	0.4
Cost of share-based payments	0.5	1.5
Net finance costs	0.1	0.1
Cash flow from operations before net finance costs and tax	(18.5)	(36.5)
Change in working capital requirements	1.0	3.7
Tax paid	(0.2)	0.5
Cash flow from operating activities (A)	(17.7)	(33.2)
Investing cash flow		
Acquisition of property, plant and equipment and intangible assets	(0.8)	(1.4)
Acquisition of subsidiaries, net of cash acquired	-	(1.0)
Acquisition of long-term financial investments	(0.3)	(0.5)
Disposal of property, plant and equipment and intangible assets	0.0	0.1
Disposal of subsidiaries, net of cash divested	-	-
Disposal of investments in associates	-	-
Disposal of long-term financial investments	0.4	0.5
Cash flow from investment activities (B)	(0.6)	(2.2)
Financing cash flow		
Equity contributions	0.0	0.0
Receipts linked to new loans	0.7	0.0
Cash invested for over 3 months	-	(0.3)
Net finance costs	(0.1)	(0.1)
Repayment of short-term financial debt (net)	(2.4)	(0.2)
Sales / (Purchases) of treasury stock ⁽⁴⁾	-	0.0
Cash flow from financing activities (C)	(1.8)	(0.5)
Net change in cash position (D = A+B+C)	(20.1)	(35.9)
Impact of change in exchange rates	0.4	0.7
Impact of changes in accounting principles	-	-
Cash and cash equivalents at start of period	126.6	161.5
Cash and cash equivalents at end of period	106.9	126.3
