

2020 full-year earnings

- **Product portfolio's realignment around commercial markets finalized**
- **Continued innovations for drones and software**
- **High gross margin and operating expenditure stable**
- **First successes in the Defense and Security sector in France and internationally**
- **2021 order book trending up, driven by commercial drones and solutions**

In 2020, faced with an unprecedented health and economic situation, Parrot finalized the realignment of its portfolio of drones and solutions around commercial markets, confirmed the turnaround in its gross margin and maintained its capacity for innovation, while deploying on the Defense and Security drone market.

Looking beyond the slowdown in sales linked to Covid-19, concentrated primarily over the first half of the year (-33.3% vs. -15.3% for H2), the business development plan was relatively unaffected by the health crisis; thanks to the dedication shown by the Group's teams, its projects were able to move forward under virtually normal conditions and the contraction in revenues, resulting from the offering's realignment around the new generations of commercial products, gradually slowed down during the year.

The consolidated accounts for 2020 were approved by the Board of Directors on March 17, 2021. The audit procedures are currently being finalized by the statutory auditors and the reports will be issued once the necessary procedures have been completed.

Condensed consolidated accounts - IFRS (€m)	2020	2019	Change
Revenues	57.3	76.1	-24.7%
Gross margin	40.2	48.5	-17.0%
<i>% of revenues</i>	<i>70.2%</i>	<i>63.7%</i>	
Operating expenditure	76.2	76.9	-0.8%
Income from ordinary operations	-36.0	-28.4	-26.7%
<i>% of revenues</i>	<i>-62.9%</i>	<i>-37.4%</i>	
EBIT⁽²⁾	-35.6	-27.4	-29.9%
<i>% of revenues</i>	<i>-62.1%</i>	<i>-36.0%</i>	
Net income (Group share)	-38.4	-29.6	-29.9%
<i>% of revenues</i>	<i>-67.0%</i>	<i>-38.9%</i>	

Globally, the Group recorded €57.3m of **consolidated revenues** in 2020, with this contraction (-24.7%) linked primarily to the voluntary scaling back of consumer product sales. At end-2020, the new generations of drones and solutions represented 96% of revenues. In the fourth quarter of 2020, the contraction in consolidated revenues was reduced to -10.9% on an annual basis, with 15.1% growth compared with the third quarter of 2020. Revenues for the new generations of products came in 1% higher than the fourth quarter of 2019. Looking beyond the management of its sales strategy, the effects of the health crisis (lockdown, travel restrictions) were more marked for equipment sales (-25.8% excluding older generations of products), while sales of dedicated software for drone-based data analysis continued to grow (+3.7% excluding intragroup sales); they represent 41% of the Group's sales at end-2020, compared with 30% at end-2019. These trends are set against a commercial drone market that declined by an estimated 12% in 2020, due to the impact of the health crisis¹.

From a geographical perspective, 16% of the Group's consolidated revenues achieved average growth of 23.8%, driven in particular by the new commercial clients brought on board in South America and Germany, as well as the security contracts signed in Japan and Switzerland. In North America, the drop in sales (-19.4%) was partially offset by the success of the latest drone models (Anafi Thermal, Anafi USA) intended for government agencies and security forces in this field, which is particularly attentive to cybersecurity issues. In France (10% of Group revenues), where lockdown measures have been extensive, the contraction in revenues came to 42.9%, excluding the framework agreement signed at the start of 2021 with the French Defense Procurement Agency (DGA) for the Anafi USA. Similar trends can be seen in Spain and the UK, where many institutions, concerned about their data security, are now choosing Parrot drones.

The product strategy rolled out since the end of 2018, focused on commercial drones and solutions that are reliable in terms of both performance and data security, is driving a major turnaround in the **gross margin** rate, up to 70.2%. The growing percentage for software and the reduction in consumer product sales are the key factors behind this improvement.

1 <https://www.businesswire.com/news/home/20200520005335/en/Global-Commercial-Drones-Market-2020-to-2030---COVID-19-Growth-and-Change---ResearchAndMarkets.com>

In 2020, the Group continued to manage its operations with two core priorities: maintaining its strong capacity for innovation, which is essential for guaranteeing its future on the drone market, and ensuring strict control over costs, with an improvement in the impact of the measures adopted in 2019. **EBIT** came to €(35.6)m, compared with €(27.4)m in 2019, primarily reflecting the drop in sales; it takes into account the furlough measures applied, mainly in Switzerland and Germany, with the economic support arrangements put in place by their respective governments, which accounts for €2.3m of savings on staff costs for the year. In this context, operating expenditure for the year came to €76.2m (-0.9%), stable compared with 2019. This reflects:

- A 14.2% increase in R&D spending (€40.2m), with the finalization of the Anafi USA, launched in September 2020 for the Defense and Security market, the new generation of business software from Pix4D, factoring in a growing number of uses and integration for mapping, inspection and security, and the renewal of the fixed-wing drone range (eBee), combining endurance and easy handling, presented at the start of 2021;
- A 24.9% reduction in sales and marketing spending (€16.3m), made possible by the streamlining of the organization and the reduction in consumer activities, reinforced by the effects of the health crisis (virtually zero travel, no events, etc.);
- A virtually stable level (+1.5%) of overheads (€13.6m);
- A reduction (-7.6%) in production and industrialization spending (€6.1m), linked primarily to the furlough measures.

The change in financial income and expenses in 2020, with €(2.2)m versus €(1.1)m in 2019, is linked to the dollar's depreciation. Taking into account the absence of any taxes in 2020, net income (Group share) came to €(38.4)m, compared with €(29.5)m in 2019.

Changes in the cash position and balance sheet at December 31, 2020

The Group had €85.5m of net cash at end-December 2020, excluding the impact of IFRS 16 (€77.9m including IFRS 16), compared with €125.1m excluding the impact of IFRS 16 (€116.0m including IFRS 16) in 2019. Cash, cash equivalents and other current financial assets came to €88m, down €38.6m year-on-year, in line with expectations.

Cash consumed by operations totaled €(30.1)m, linked primarily to earnings for the period benefiting from the positive €2.5m change in working capital requirements. Specifically, this reflects a €4.3m reduction in trade receivables, factoring in both the lower level of revenues and the discipline for collecting outstanding amounts. Trade payables and prepaid expenses also decreased by €4.3m, reflecting the product portfolio's realignment, partially offset by a reduction in the value of inventory by €3.1m to €10.2m at December 31, 2020. Cash consumed for investment activities came to €(3.8)m, taking into account a €2m investment in a software company in the fourth quarter of 2020. Cash flow consumed for financing activities came to €(2.8)m, primarily including €4.0m for leases with the application of IFRS 16.

The sale of the company Micasense, effective from January 27, 2021, is expected to generate an estimated cash-in of €12.9m in 2021, net of transaction costs, including US\$3m of AgEagle Aerial Systems Inc. shares (UAVS, NYSE American). The sales price includes additional payments for US\$2.25m then US\$2.5m, in March 2022 and March 2023 respectively, subject to the standard guarantees given in connection with the agreement.

Outlook for 2021

Without a doubt, commercial drones represent the emergence of a new industry that will deeply mark the 21st century, in the same way that automobiles, telecommunications and aerospace did in their time. While there seems to be considerable potential for growth in commercial activities over the coming years, the pace of the market's growth is strongly correlated with changes in the legislative context and professionals' capacity (financial, technical, operational) to incorporate these technologies. Parrot aims to continue supporting the development of this new high-tech industry, driven by a dedicated portfolio of high-performance solutions for 3D Mapping, Geomatics and Inspection, Defense and Security, and Precision Farming, adapted for a growing number of use cases based primarily on the collection and analysis of high-precision data.

As the leading European group on the drone market, with technological and capital sovereignty, the Parrot Group intends to remain focused on moving forward with its projects, notably finalizing new commercial products, applying a sales strategy targeting professionals, businesses, key accounts and governments, and ensuring strict control over costs. The Group will continue to build on the highest standards of security and transparency to conquer market shares.

The strategy applied by the Group since 2018, taking into account a significant contraction in revenues and based on a technological value creation roadmap for commercial markets, has made it possible to turn around the gross margin. The scope effects linked to the change in the product portfolio are expected to continue to become less marked in 2021.

Vigilant concerning the potential impact of the health measures and tensions on the components market, the Group has secured the vast majority of its purchases in 2021. Parrot will continue to capitalize on its capacity for innovation, its product quality and its constant focus on managing its operations and allocating its resources effectively. In line with the 2021 business development plan, including the product launches, production plans and order book, the return to growth could be achieved in the second half of 2021, driven by the acceleration of deliveries in the Defense and Security sector in particular.

Next financial dates:

- 2021 first-quarter revenues: Friday May 21, 2021 before start of trading.
- Combined general meeting: Wednesday June 16, 2021, at 8:30am Paris time.
- 2021 first-half earnings: Friday July 30, 2021 after close 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 professionals as well as consumers. 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) 3D Mapping, Surveying and Inspection, (ii) Defense and Security and (iii) Agriculture.

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, www.pix4d.com, www.sensefly.com

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APPENDICES

REVENUES BY BUSINESS UNIT

€m and % of revenues	FY 2020		FY 2019		Change	Q4 2020		Q4 2019		Change
Parrot Drones (microdrones)	18.7	33%	31.9	42%	-41%	6.3	38%	8.3	45%	-24%
<i>Of which, legacy consumer products⁽¹⁾</i>	2.2	4%	9.3	12%	-77%	0.7	4%	2.8	15%	-76%
Pix4D (software)	23.3	41%	22.5	30%	+4%	6.7	40%	6.2	33%	+8%
senseFly (drones and sensors)	10.8	19%	14.2	19%	-24%	2.4	15%	2.4	13%	-2%
MicaSense (sensors and services)	5.3	9%	7.5	10%	-29%	1.3	8%	1.6	8%	-17%
Airinov (services) ⁽²⁾	0.0	0%	0.6	1%	-	0.0	-	-0	-	-
Parrot SA	0.3	0%	1.8	2%	-85%	0.1	0%	0.5	3%	-87%
Intragroup eliminations	-1.1	-2%	-2.3	-3%	-52%	-0.3	-2%	-0.5	-3%	-46%
PARROT GROUP TOTAL	57.3	100%	76.1	100%	-25%	16.5	100%	18.5	100%	-11%
DRONE TOTAL⁽³⁾	55.1	96%	66.2	87%	-17%	15.8	96%	15.7	85%	+1%

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

(2) The Airinov business was discontinued at the end of 2019.

(3) "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 and Airinov's revenues.

CONSOLIDATED INCOME STATEMENT

IFRS in €m and % of revenues	FY 2020	FY 2019
Revenues	57.3	76.1
Cost of sales	(17.0)	(27.6)
Gross margin	40.2	48.5
<i>% of revenues</i>	<i>70.2%</i>	<i>63.7%</i>
R&D costs	(40.2)	(35.2)
<i>% of revenues</i>	<i>-70.2%</i>	<i>-46.3%</i>
Sales and marketing costs	(16.3)	(21.7)
<i>% of revenues</i>	<i>-28.4%</i>	<i>-28.5%</i>
Administrative costs and overheads	(13.6)	(13.4)
<i>% of revenues</i>	<i>-23.8%</i>	<i>-17.7%</i>
Production and quality costs	(6.1)	(6.6)
<i>% of revenues</i>	<i>-10.7%</i>	<i>-8.6%</i>
Income from ordinary operations	(36.0)	(28.4)
<i>% of revenues</i>	<i>-62.9%</i>	<i>-37.4%</i>
Other operating income and expenses	0.5	1.0
EBIT	(35.6)	(27.4)
<i>% of revenues</i>	<i>-62.1%</i>	<i>-36.0%</i>
Financial income and expenses	(2.2)	(1.1)
Share in income from associates	(0.4)	(0.6)
Corporate income tax	(0.3)	(0.4)
Net income	(38.4)	(29.6)
Minority interests	(0.1)	0.0
Net income (Group share)	(38.4)	(29.5)
<i>% of revenues</i>	<i>-67.0%</i>	<i>-38.9%</i>

CONSOLIDATED BALANCE SHEET

ASSETS - IFRS, €m	December 31, 2020	December 31, 2019
Non-current assets	21.0	20.9
Goodwill	(0.0)	(0.0)
Other intangible assets	0.4	0.4
Property, plant and equipment	2.3	2.2
Right of use	5.9	6.6
Investments in associates	5.0	5.6
Financial assets	6.5	4.4
Non-current lease receivables	0.7	1.6
Deferred tax assets	0.2	0.2
Current assets	121.7	168.2
Inventories	10.2	13.3
Trade receivables	6.0	10.3
Tax receivables	7.6	6.0
Other receivables	9.1	11.2
Current lease receivables	0.7	0.7
Cash and cash equivalents	88.0	126.6
Assets held for sale	2.7	-
TOTAL ASSETS	145.4	189.1

SHAREHOLDERS' EQUITY AND LIABILITIES - IFRS (€M)	December 31, 2020	December 31, 2019
Shareholders' equity	99.7	139.2
Share capital	4.6	4.6
Additional paid-in capital	331.7	331.7
Reserves excluding earnings for the period	(204.0)	(174.3)
Earnings for the period - Group share	(38.4)	(29.5)
Exchange gains or losses	5.2	6.3
Equity attributable to shareholders	99.2	138.7
Non-controlling interests	0.5	0.5
Non-current liabilities	10.6	10.9
Non-current financial liabilities	1.8	1.5
Non-current lease liabilities	4.1	5.7
Provisions for pensions and other employee benefits	1.3	0.9
Deferred tax liabilities	0.0	0.0
Other non-current provisions	0.1	0.1
Other non-current liabilities	3.4	2.6
Current liabilities	33.6	38.9
Current financial liabilities	0.7	-
Current lease liabilities	3.5	3.4
Current provisions	3.9	5.2
Trade payables	11.9	16.3
Current tax liabilities	0.1	0.0
Other current liabilities	13.5	14.0
Liabilities held for sale	1.6	-
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	145.4	189.1

CONSOLIDATED CASH FLOW STATEMENT

IFRS (€m)	December 31, 2020	December 31, 2019
Operating cash flow		
Earnings for the period from continuing operations	(38.4)	(29.6)
Net income attributable to owners of the parent	(38.4)	(29.5)
Non-controlling interests	(0.1)	(0.0)
Share in income from associates	0.4	0.6
Depreciation and amortization	3.7	(7.4)
Capital gains and losses on disposals	0.3	1.0
Tax expense	0.3	0.4
Cost of share-based payments	1.1	1.5
Net finance costs	0.2	0.3
Cash flow from operations before net finance costs and tax	(32.4)	(33.1)
Change in working capital requirements	2.5	4.0
Tax paid	(0.2)	(0.5)
Cash flow from operating activities (A)	(30.1)	(29.5)
Investing cash flow		
Acquisition of property, plant and equipment and intangible assets	(2.1)	(1.4)
Acquisition of subsidiaries, net of cash acquired	-	(1.0)
Acquisition of financial assets	(2.3)	(0.5)
Disposal of property, plant and equipment and intangible assets	0.1	0.1
Disposal of subsidiaries, net of cash divested	(0.4)	-
Disposal of investments in associates	-	-
Disposal of financial assets	0.8	0.9
Cash flow from investment activities (B)	(3.8)	(1.8)
Financing cash flow		
Equity contributions	0.0	0.0
Receipts linked to new loans	1.7	0.0
Cash invested for over 3 months	-	0.0
Net finance costs	(0.2)	(0.3)
Repayment of short-term financial debt (net)	(4.2)	(4.0)
Sales / (Purchases) of treasury stock ⁽⁴⁾	-	0.0
Cash flow from financing activities (C)	(2.8)	(4.3)
Net change in cash position (D = A+B+C)	(36.7)	(35.6)
Impact of change in exchange rates	(1.1)	0.7
Impact of changes in accounting principles (IFRS 5 reclass.)	(0.8)	-
Cash and cash equivalents at start of period	126.6	161.5
Cash and cash equivalents at end of period	88.0	126.6
