

## 2019 full-year earnings

- Target to maintain €100m of net cash at end-2019 exceeded (€125.1m excluding the impact of IFRS 16 and €116.0 million including IFRS 16)
- Strong improvement in margins for the Group, largely realigned around commercial drones
- Effectiveness of reorganization measures: substantial savings achieved without impacting the capacity for innovation
- In 2020: Group's progress on the Security and Defense market and product launches

### Parrot Group's condensed earnings

The accounts for 2019 were reviewed by the Board of Directors on March 17, 2020. The audit procedures are currently being performed by the statutory auditors. The reports will be issued once the accounts have been approved and the procedures required for them to be issued have been finalized.

**IFRS 16:** The Parrot Group has applied IFRS 16 "Leases" since January 1, 2019. The Group has chosen to apply it based on the simplified retrospective method in accordance with IFRS 16. With this approach, the comparative information presented is not restated.

Condensed consolidated accounts - IFRS (€m)	2019 12 months	2018 12 months	Change
<b>Revenues</b>	<b>76.1</b>	<b>109.2</b>	<b>-30%</b>
<b>Gross margin</b> <i>% of revenues</i>	<b>48.5</b> 63.7%	<b>33.8</b> 31.0%	<b>+43%</b>
<b>Income from ordinary operations</b> <i>% of revenues</i>	<b>-28.4</b> -37.4%	<b>-65.9</b> -60.3%	<b>+57%</b>
<b>EBIT (2)</b> <i>% of revenues</i>	<b>-27.4</b> -36.0%	<b>-103.2</b> -94.5%	<b>+73%</b>
<b>Net income (Group share)</b> <i>% of revenues</i>	<b>-29.6</b> -38.9%	<b>-111.2</b> -101.9	<b>+73%</b>

**Point for consideration:** Earnings for the period marked by non-recurring items impacting: revenues for +€2.6m, the gross margin for +€3.4m, income from ordinary operations for +€5.2m linked primarily to reversals (provisions, accrued expenses, additional depreciation) that were no longer applicable.

In 2019, the Group continued to develop its ranges of commercial drones and solutions, focusing specifically on the allocation of its resources and turning around its margin, while moving forward with new opportunities for growth on the Defense and Security markets.

Realigned around commercial drones and solutions, the Group recorded consolidated revenues of €76.1m in 2019. The 30% contraction is linked to the reduction in sales of legacy consumer products (-77%). The products and solutions for professional clients generated 67% of the Group's revenues, achieving 10% growth, with 14% restated for the service activities that were shut down (Airinov, Airsupport). Restated for these effects, like-for-like\* Drone sales are down 2% from 2018, highlighting the Group's agility to rapidly reposition itself, capitalizing on its assets in a drone market that is gradually maturing. (\* alternative performance indicator: see note 3 in the first table appended).

In 2019, Parrot Drones' Anafi platform was rolled out with two new versions - Anafi Thermal and Anafi FPV - and various professional support programs were put in place. In May 2019, the company was selected by the U.S. Department of Defense to take part in the development of the next generation of short-range reconnaissance drones for the U.S. Army. The results of this call for tenders will be known in 2020. At the start of 2020, the Group won the "Swiss Mini UAV Program" (Swiss MUAS) tender to equip the Swiss Armed Forces with micro-drones. In 2019, senseFly continued to sell its fixed-wing unit launched at the end of 2018 (eBee X), focused on developing its activities with key accounts (Trimble, Microsoft). Pix4D continued to expand its portfolio of data analysis software (Pix4Dfields for agriculture and Pix4Dreact for public security). Micasense launched a new high-precision data sensor (RedEdgeMX Dual Camera System) adapted for the market's leading drones.

The strategy rolled out in 2019 is driving a major turnaround in the gross margin rate, which represents 63.7% (61.4% restated for non-recurring items, see "point for consideration" above). This is being supported by the reduction in consumer activities and the change in the product mix to focus on commercial drones and solutions.

In 2019, in line with its commitments, the Group managed 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, which also involves simplifying its organization, made possible by the reduction in sales of older generations of consumer products.

In this context, R&D spending came to €35.2m, compared with €37.2m in 2018. The Group focused on launching professional versions of the Anafi (Anafi Thermal, Anafi Work), optimizing the latest generations of fixed-wing drones (eBee+, eBee RTK) and new sensors (RedEdge-Mx), developing new targeted data analysis software for specific client segments (Pix4Dreact, Pix4Dfields) and driving progress with the solutions that will be launched in 2020.

Sales and marketing spending is down 41% to €21.7m. The €14.8m decrease in spending is linked to the reorganization rolled out in the third quarter of 2018: reduction in marketing operations and staffing levels thanks to the realignment around commercial solutions, consolidation of sales platforms and logistics centers, and reduction in the number of products sold.

These trends are also reflected in the 28% decrease in production and quality spending to €6.6m, in line with the reduction of the product portfolio and the absence of any significant equipment launches in 2019.

Administrative costs and overheads are down 20% to €13.4m, in line with the strict control over costs and the reduction in staffing levels. This decrease has been accompanied by a ramping up of the support functions to support the growth in business with professionals, including the opening of new sites in target areas.

Thanks to the strategy for a realignment around commercial drones and solutions and the major efforts made by the teams in connection with the reorganization, the current operating loss was reduced to -€28.4m, compared with -€65.9m in 2018. At end-2019, the Group had 545 staff (compared with 659 at end-2018). 53% of them are focused on R&D and 75 external contractors are contributing to various projects that will be finalized in 2020.

The Group recorded €1.0m of non-current operating income in 2019, taking its EBIT to -€27.4m, compared with -€103.2m in 2018, linked in particular to the writedown of goodwill (-€42.0m in 2018).

With zero debt, financial income and expenses came to -€1.1m in 2019 (versus -€0.9m in 2018), relating to foreign exchange effects. Taking into account the absence of any taxes in 2019, net income represents -€29.6m, compared with -€111.2m in 2018.

## Changes in the cash position and balance sheet at December 31, 2019

In line with its commitments, the Group's strategy and the efforts made in 2019 enabled it to safeguard its net cash, which totaled €125.1m at end-December excluding the impact of IFRS 16 (and € 116.0 million including IFRS 16).

Taking into account 2019 EBITDA of -€28.6m (versus -€75.8m in 2018), net cash consumption for the year was reduced to €35.2m, including €13.4m for the second half of 2019, compared with €65.3m in 2018.

On an annual basis, the change in working capital requirements represents +€3.7m, factoring in a significant reduction in inventories (-31%), trade payables (-41%) and trade receivables (-63%), against a backdrop of reduced production and a streamlining of the number of suppliers and clients in connection with the product portfolio's realignment.

## 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 that is expected to grow, the Group 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 experienced any issues with production (only the Parrot brand drones are currently produced in China) or the allocation of components, and it considers that it has appropriate stocks in place for its business development plan over the first half of 2020. To date, the majority of the Group's employees are 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.

In 2020, the Group will continue to focus on managing its cash position and effectively allocating these resources based on the best market opportunities. The financial forecasts could be specified once the current health crisis has ended.

## Next financial dates

- 2020 first-quarter revenues: Wednesday May 20, 2020 before start of trading
- 2020 first-half earnings: Thursday July 30, 2020 after close of trading

## ABOUT PARROT

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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 the only group to be positioned across the entire value chain, from equipment to services and software.

- Parrot, the world's number 2 of the consumer drone market, designs drones known for their high performance and ease of use.
- Parrot 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](http://www.parrot.com) and these subsidiaries [www.pix4d.com](http://www.pix4d.com), [www.sensefly.com](http://www.sensefly.com), [www.micasense.com](http://www.micasense.com).

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## APPENDICES

**IFRS 16:** The Parrot S.A. has applied IFRS 16 “Leases” since January 1, 2019. The Group has chosen to apply this standard based on the simplified retrospective method in accordance with IFRS 16. With this approach, the comparative information presented is not restated and the Group has chosen to value the right of use based on an amount equal to the opening liability position. In addition, the following simplification measures offered by IFRS 16 have been applied for the transition:

- Leases with a residual term of less than 12 months from January 1, 2019 do not lead to the recognition of a right of use and lease liability;
- The discount rates applied on the transition date are based on the Group’s marginal borrowing rate combined with a spread to take into account each country’s specific economic environment;
- The initial direct costs have been excluded from the valuation of the right of use for operating leases in force on the transition date;
- Instead of carrying out an impairment test for assets linked to the right of use on the transition date, the Group has used its valuation of onerous leases in accordance with the principles of IAS 37;
- The Group has used hindsight to determine the term of leases with options to extend or terminate them.

**Changes in scope:** Two changes were recorded in 2019:

- Buyout of MicaSense’s minority shareholders: Parrot Drones S.A.S held 99% of the capital at December 31, 2019 (versus 82% at December 31, 2018)
- Liquidation of the subsidiary EOS Innovation on February 21, 2019
- Dilution of the interest in Sky Hero following a capital increase (28.6% interest held, versus 33.3% at December 31, 2018)

Readers are also reminded that the company Parrot Air Support was put on standby in the fourth quarter of 2018.

## REVENUES BY BUSINESS UNIT

€m and % of revenues	FY 2019		FY 2018		Change	Q4 2019		Q4 2018	
Parrot Drones (microdrones)	31.9	42%	69.1	63%	-54%	8.3	45%	19.4	63%
Of which, legacy consumer products <sup>(1)</sup>	9.3	12%	39.7	36%	-77%	2.8	15%	9.4	31%
Pix4D (software)	22.5	30%	19.6	18%	15%	6.2	34%	5.8	19%
senseFly (drones and sensors)	14.2	19%	15.4	14%	-8%	2.4	13%	5.1	17%
MicaSense (sensors and services)	7.5	10%	4.8	4%	56%	1.6	9%	1.3	4%
Airinov (services) <sup>(2)</sup>	0.6	1%	1.4	1%	-57%	0.0	0%	0.0	0%
Airsupport (services) <sup>(2)</sup>	0.0	0%	0.7	1%		0.0	0%	0.1	0%
Parrot SA	1.8	2%	2.2	2%	-18%	0.6	3%	0.5	2%
Intragroup eliminations	-2.3	-3%	-4.0	-4%	-43%	0.5	3%	1.5	5%
<b>PARROT GROUP TOTAL</b>	<b>76.1</b>	<b>100%</b>	<b>109.2</b>	<b>100%</b>	<b>-30%</b>	<b>18.5</b>	<b>100%</b>	<b>30.8</b>	<b>100%</b>
<b>DRONE TOTAL<sup>(3)</sup></b>	<b>66.2</b>	<b>88%</b>	<b>67.4</b>	<b>64%</b>	<b>-2%</b>	<b>15.7</b>	<b>85%</b>	<b>21.3</b>	<b>69%</b>

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

(2) Airsupport was put on standby in the fourth quarter of 2018 and Airinov is currently being shut down.

(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, Airinov’s revenues and Airsupport’s revenues.

## CONSOLIDATED INCOME STATEMENT

IFRS in €m and % of revenues	FY 2019	FY 2018
<b>Revenues</b>	<b>76.1</b>	<b>109.2</b>
Cost of sales	(27.6)	(75.4)
<b>Gross margin</b>	<b>48.5</b>	<b>33.8</b>
<i>% of revenues</i>	<i>63.7%</i>	<i>31.0%</i>
<b>R&amp;D costs</b>	<b>(35.2)</b>	<b>(37.2)</b>
<i>% of revenues</i>	<i>-46.3%</i>	<i>-34.0%</i>
<b>Sales and marketing costs</b>	<b>(21.7)</b>	<b>(36.5)</b>
<i>% of revenues</i>	<i>-28.5%</i>	<i>-33.4%</i>
<b>Administrative costs and overheads</b>	<b>(13.4)</b>	<b>(16.9)</b>
<i>% of revenues</i>	<i>-17.7%</i>	<i>-15.5%</i>
<b>Production and quality costs</b>	<b>(6.6)</b>	<b>(9.1)</b>
<i>% of revenues</i>	<i>-8.6%</i>	<i>-8.4%</i>
<b>Income from ordinary operations</b>	<b>(28.4)</b>	<b>(65.9)</b>
<i>% of revenues</i>	<i>-37.4%</i>	<i>-60.3%</i>
<b>Other operating income and expenses</b>	<b>1.0</b>	<b>(37.3)</b>
<b>EBIT</b>	<b>(27.4)</b>	<b>(103.2)</b>
<i>% of revenues</i>	<i>-36.0%</i>	<i>-94.5%</i>
<b>Financial income and expenses</b>	<b>(1.1)</b>	<b>(0.9)</b>
Share in income from associates	(0.6)	(7.9)
Corporate income tax	(0.4)	0.9
<b>Net income</b>	<b>(29.6)</b>	<b>(111.2)</b>
Minority interests	0.0	0.1
<b>Net income (Group share)</b>	<b>(29.5)</b>	<b>(111.3)</b>
<i>% of revenues</i>	<i>-38.9%</i>	<i>-101.9%</i>

## CONSOLIDATED BALANCE SHEET

ASSETS - IFRS, €m	December 31, 2019	December 31, 2018
<b>Non-current assets</b>	<b>20.9</b>	<b>15.0</b>
Goodwill	(0.0)	-
Other intangible assets	0.4	0.9
Property, plant and equipment	2.2	3.4
Right of use	6.6	na
Investments in associates	5.6	6.1
Financial assets	4.4	4.4
Non-current lease receivables	1.6	na
Deferred tax assets	0.2	0.2
<b>Current assets</b>	<b>168.2</b>	<b>229.3</b>
Inventories	13.3	19.4
Trade receivables	10.3	27.6
Other receivables	17.2	20.7
Current lease receivables	0.7	na
Other current financial assets	0.3	0.0
Cash and cash equivalents	126.3	161.5
<b>TOTAL ASSETS</b>	<b>189.1</b>	<b>244.3</b>

<b>SHAREHOLDERS' EQUITY AND LIABILITIES - IFRS (€M)</b>	<b>December 31, 2019</b>	<b>December 31, 2018</b>
<b>Shareholders' equity</b>	139.5	<b>162.9</b>
Share capital	4.6	4.6
Additional paid-in capital	331.7	331.7
Reserves excluding earnings for the period	(174.3)	(66.4)
Earnings for the period - Group share	(29.6)	(111.3)
Exchange gains or losses	6.3	5.9
<b>Equity attributable to shareholders</b>	<b>138.7</b>	<b>164.5</b>
Non-controlling interests	0.5	(1.6)
<b>Non-current liabilities</b>	<b>11.1</b>	<b>8.6</b>
Non-current financial liabilities	1.5	1.3
Non-current lease liabilities	5.7	na
Provisions for pensions and other employee benefits	0.9	0.9
Deferred tax liabilities	0.0	0.1
Other non-current provisions	0.3	-
Other non-current liabilities	2.6	6.3
<b>Current liabilities</b>	<b>38.7</b>	<b>72.8</b>
Current financial liabilities	-	-
Current lease liabilities	3.4	na
Current provisions	5.0	17.3
Trade payables	16.3	27.6
Current tax liabilities	0.0	0.1
Other current liabilities	14.0	27.8
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>189.1</b>	<b>244.3</b>

## CONSOLIDATED CASH FLOW STATEMENT

IFRS (€m)	December 31, 2019	December 31, 2018
<b>Operating cash flow</b>		
Earnings for the period from continuing operations	(29.6)	(111.2)
Share in income from associates	0.6	7.9
Depreciation and amortization	(10.5)	50.4
Capital gains and losses on disposals	1.0	(15.0)
Tax expense	0.4	(0.9)
Cost of share-based payments	1.5	1.5
Net finance costs	0.1	ns
<b>Cash flow from operations before net finance costs and tax</b>	<b>(36.5)</b>	<b>(67.2)</b>
Change in working capital requirements	3.7	5.5
Tax paid	0.5	(0.8)
<b>Cash flow from operating activities (A)</b>	<b>(33.2)</b>	<b>(62.6)</b>
<b>Investing cash flow</b>		
Acquisition of property, plant and equipment and intangible assets	(1.4)	(4.2)
Acquisition of subsidiaries, net of cash acquired	(1.0)	(0.7)
Acquisition of long-term financial investments	(0.5)	(0.4)
Disposal of property, plant and equipment and intangible assets	0.1	ns
Disposal of subsidiaries, net of cash divested	-	2.7
<b>Disposal of investments in associates</b>	<b>-</b>	<b>67.5</b>
Disposal of long-term financial investments	0.5	0.0
<b>Cash flow from investment activities (B)</b>	<b>(2.2)</b>	<b>64.9</b>
<b>Financing cash flow</b>		
Equity contributions	0.0	-
Receipts linked to new loans	0.0	0.1
Cash invested for over 3 months	(0.3)	13.0
Net finance costs	(0.1)	ns
Repayment of short-term financial debt (net)	(0.2)	-
Sales / (Purchases) of treasury stock <sup>(4)</sup>	0.0	ns
<b>Cash flow from financing activities (C)</b>	<b>(0.5)</b>	<b>13.0</b>
<b>Net change in cash position (D = A+B+C)</b>	<b>(35.9)</b>	<b>15.4</b>
Impact of change in exchange rates	0.7	1.5
Impact of changes in accounting principles	-	
<b>Cash and cash equivalents at start of period</b>	<b>161.5</b>	<b>144.5</b>
<b>Cash and cash equivalents at end of period</b>	<b>126.3</b>	<b>161.5</b>

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