

## 2015 second-quarter earnings

Drone business continuing to grow (+189%)

Creation of a Drone pure player through subsidiarization of activities

50 million euro financing line set up for external growth

Consolidated accounts - IFRS (€M)	Q2 2014	Q2 2015	Change Q2/Q2	H1 2014	H1 2015
<b>Revenues</b>	<b>51.9</b>	<b>69.2</b>	+33%	<b>99.9</b>	<b>140.2</b>
<b>Gross margin</b>	<b>28.1</b>	<b>34.6</b>	+23%	<b>52.0</b>	<b>66.3</b>
<i>% of revenues</i>	54.1%	50.0%		52.0%	47.3%
<b>Income from ordinary operations</b>	<b>-1.9</b>	<b>-1.8</b>	+5%	<b>-5.4</b>	<b>-5.8</b>
<i>% of revenues</i>	-3.6%	-2.6%		-5.4%	-4.1%
<b>EBIT</b>	<b>-1.9</b>	<b>-3.4</b>	-79%	<b>-5.1</b>	<b>-7.8</b>
<i>% of revenues</i>	-3.6%	-5.0%		-5.2%	-5.6%
<b>Net income (Group share)</b>	<b>-2.6</b>	<b>-4.9</b>	-88%	<b>-6.3</b>	<b>-10.1</b>
<i>% of revenues</i>	-5.1%	-7.2%		-6.3%	-7.2%
<b>Earnings per share <sup>(*)</sup></b>	<b>-0.21</b>	<b>-0.39</b>	-86%	<b>-0.49</b>	<b>-0.81</b>
<b>Diluted earnings per share</b>	-0.21	-0.39	-86%	-0.49	-0.81
<b>Net cash</b>	<b>67.6</b>	<b>64.2</b>	-5%		

\* Accounting number of shares: 12,540,365; diluted number of shares: 12,540,365

### Revenues

Compared with the second quarter of 2014, consolidated revenues climbed +33% to 69.2 million euros for the second quarter of 2015 (+19% at constant exchange rates), in line with the objectives for accelerating growth in 2015. The very significant growth achieved in Drone sales (+189%) has to a great extent offset the expected contraction in the automotive business (-11% like-for-like<sup>1</sup>).

Over the first half of 2015, Parrot achieved 40% revenue growth (+26% at constant exchange rates), up to 140.2 million euros, driven by the 259% increase in the Drone business, which accounts for 46% of the Group's revenues and clearly offset the Automotive business' 7% contraction.

### Drones

During the second quarter of 2015, Drone revenues (44% of Group revenues, versus 18.1% in Q2 2014) came to 30.4 million euros, compared with 10.5 million euros for the same period the previous year (+189%). The operational losses (-1.8 million euros) recorded over the quarter factor in the significant investments made to support this development and enable Parrot to build its long-term leadership, as well as the seasonality of Retail Drone sales.

Retail Drones generated 22.7 million euros of revenues (75% of Drone revenues), up 217%. Business has benefited from the dynamic performance in terms of launches for the MiniDrones and Parrot Bebop, released respectively since the third quarter and fourth quarter of 2014. During this quarter, Parrot presented 13 new MiniDrones (public retail price of 99 to 189 euros including tax) with a range of innovative features (night vision, designed for use in water, 4x4 rover, etc.). These new recreational drones have received a positive response from the media and will be gradually rolled out worldwide from the third quarter, benefiting in particular from new points of sale in the US.

Commercial Drones generated 7.7 million euros (25% of Drone revenues), up 129%. The consolidated subsidiaries - senseFly and Pix4D – are developing strongly on the Group's three target markets - 3D mapping, precision farming and inspection – while waiting for wider penetration made possible by the definition of a regulatory framework, particularly in the US.

<sup>1</sup> Plug & Play revenues, included in the Connected Devices business until December 31, 2014, have been reclassified under Retail Automotive since January 1, 2015; the data for 2014 are presented on a pro forma basis: with Plug & Play revenues included under Retail Automotive and excluded from the Connected Devices business.

Alongside this, Parrot has embarked on a second phase in the drive to optimize its organization, with the project to subsidiarize its Drone activities (retail and commercial), which will result in the creation of a pure player for drones, a fully-owned subsidiary of Parrot SA. This project was approved by the Board of Directors on July 29 and will move forward over the coming months with a view to being effective from the fourth quarter of 2015.

Lastly, to finance its external growth operations for Commercial Drones, Parrot set up a 50 million euro syndicated credit line on July 24. This will enable the Group to continue moving forward with its policy to acquire innovative firms, aiming to build up advanced capabilities in various fields to serve its three target markets without impacting its cash flow. The first drawdown is planned for August in connection with the finalization of the operations announced during the first quarter. This credit facility is syndicated by five leading French and international banks, benefiting from the favorable market conditions currently available.

## Automotive

In the second quarter of 2015, the Automotive business (49% of Group revenues, versus 74% in Q2 2014) recorded 34.2 million euros in revenues (pro forma), down 11% from the same period the previous year (pro forma: Plug & Play sales included for 2014 and 2015, cf. Note 1 on Page 1).

Retail Automotive products represent 37% of revenues for this business, up 15%, driven by the French ban on handsfree kits using headsets, which came into force in June 2014. Key Account solutions represent 63% of revenues for the business, down 25%, while waiting for the nine contracts signed to be ramped up.

The reorganization at the start of the year has achieved its goal of maintaining profitability for this activity, which has an operating margin of 10%, generating the resources required to grow the Drone business.

## Connected Devices

In the second quarter of 2015, Connected Devices (6% of Group revenues, versus 5% in Q2 2014) generated 4.1 million euros in revenues (pro forma), up 60%, driven by the continued success of the Parrot Zik 2 headphones. The operational losses (-0.5 million euros, versus -1.6 million euros in Q2 2014), linked to this division's long-term research programs, are being reduced, in line with the Group's roadmap.

## Gross margin

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, and accounts for the gross margin rate of 50.0% (versus 54.1% in Q2 2014).

## EBIT

Operating expenditure came to 34.6 million euros. The level of expenditure, close to the previous quarter, reflects the effective control over budgets since the start of the year, thanks to the reorganization of the automotive business, and is making it possible to effectively support the expansion of the Drone business. Compared with the first quarter, the increase in the gross margin and the effective allocation of costs have made it possible to reduce the loss by 2.2 million euros. Second-quarter income from ordinary operations came to -1.8 million euros, virtually equivalent to the second quarter of 2014. The changes in the main cost items were as follows:

- The increase in R&D costs (+2.4 million euros versus Q2 2014, 22% of revenues) is primarily 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 1.3 million euro expense. The balance is allocated to Commercial Drone R&D.
- The increase in sales and marketing costs (+3.1 million euros versus Q2 2014, 18% of revenues) reflects the ramping up of Retail Drone products and the higher marketing budgets, as well as the development of the Commercial Drone sales teams.
- The increase in support functions (administrative costs and overheads / production and quality), which represented 12.8% of revenues (versus 14.7% in Q1 2014 and 11.1% in Q4 2014), is effectively under control in relation to the strong development of the Drone business.
- Non-current operating expenditure totaled 1.7 million euros and concerned external costs relating to the ongoing reorganization of Parrot SA, particularly the subsidiarization of the automotive business, 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 assessment at end-June 2015.

At June 30, 2015, the Group's workforce represented 932 people (931 at March 31, 2015 and 885 at June 30, 2014). R&D teams make up 53% of the workforce, with 553 people, and 111 people are assigned to the Commercial Drone business. In addition, Parrot employs 70 external contractors (versus 80 at March 31, 2015) temporarily covering any additional areas of expertise required.

## Net income

Financial income and expenses for the second quarter came to 0.1 million euros, with a 1.4 million euro tax expense. Net income came to -4.8 million euros, compared with -2.6 million euros for the same period the previous year.

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

At June 30, 2015, Parrot had 64.2 million euros in net cash, virtually stable compared with the first quarter and down 3.4 million euros from June 30, 2014. Cash flow from operations for the first half of the year came to -10.4 million euros, primarily reflecting the change in working capital requirements (-13.2 million euros) during the first quarter, in line with growth in the business. Investments over the half-year period were covered by cash flow from operating activities. The lower level of cash flow from investments, down to -4.5 million euros (versus -10.3 million euros for H1 2014), reflects the fact that automotive R&D programs are no longer capitalized. Cash flow from financing activities came to -5.4 million euros for the half-year period, factoring in the resumption of the share buyback program for 3.0 million euros and the repayment of short-term financial debt for 10.5 million euros.

At June 30, 2015, the change in the balance sheet reflects the ramping up of Retail Drone products and preparations for the numerous launches planned for the second half of the year: net inventories represented 46.5 million euros (versus 18.5 million euros at June 30, 2014), with 48.3 million euros in trade receivables (versus 41.2 million euros at June 30, 2014) and 49.3 million euros in trade payables (versus 28.3 million euros at June 30, 2014), in line with the production of new products. The Group's shareholders' equity represents 156.8 million euros (versus 176.3 million euros at June 30, 2014), 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 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, in which the Group has a significant market share, and is focusing on technological innovation and value creation.

## Next financial dates

- **September 16:** Képler Cheuvreux Autumn Conference (Paris)
- **October 7-8:** European Mid Cap Event (Paris, CF&B)

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

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## APPENDICES

The consolidated financial statements (IFRS) are currently being audited and were approved by the Board of Directors on June 29, 2015. The financials for "Commercial Drones" include senseFly and Pix4D on a fully consolidated basis; the majority interest announced in the first quarter (Airinov) will be consolidated from the next quarter.

## Breakdown of revenues by business

Consolidated accounts - IFRS (€M and % of Group revenues)	Q2 2014		Q2 2015		H1 2014		H1 2015	
<b>Automotive</b>	<b>38.4</b>	<b>74%</b>	<b>34.2</b>	<b>49%</b>	<b>75.4</b>	<b>76%</b>	<b>66.0</b>	<b>47%</b>
Retail*	13.5	26%	15.5	22%	27.4	27%	26.6	19%
Key Accounts	24.9	48%	18.6	27%	48.0	48%	39.4	28%
<b>Drones</b>	<b>10.5</b>	<b>20%</b>	<b>30.4</b>	<b>44%</b>	<b>18.1</b>	<b>18%</b>	<b>65.0</b>	<b>46%</b>
Retail	7.1	14%	22.7	33%	12.5	12%	51.3	37%
Commercial	3.4	6%	7.7	11%	5.6	6%	13.7	10%
<b>Connected Devices*</b>	<b>2.5</b>	<b>4%</b>	<b>4.1</b>	<b>6%</b>	<b>5.4</b>	<b>5%</b>	<b>8.3</b>	<b>6%</b>
Audio	2.2	4%	3.6	5%	4.7	5%	7.4	5%
Other Connected Devices	0.3	0%	0.5	1%	0.7	0%	0.8	1%
<b>Other</b>	<b>0.5</b>	<b>1%</b>	<b>0.6</b>	<b>1%</b>	<b>0.9</b>	<b>1%</b>	<b>0.9</b>	<b>1%</b>
<b>Group total</b>	<b>51.9</b>	<b>-</b>	<b>69.2</b>	<b>-</b>	<b>99.9</b>	<b>-</b>	<b>140.2</b>	<b>-</b>

\* Plug & Play revenues, included in the Connected Devices business until December 31, 2014, have been reclassified under Retail Automotive since January 1, 2015; the data for 2014 are presented on a pro forma basis, with Plug & Play revenues included under Retail Automotive.

## Main aggregates for each business

€M	Drones	Automotive	Connected Devices	Other
<b>Q1 2015</b>				
<b>Revenues</b>	<b>34.6</b>	<b>31.9</b>	<b>4.2</b>	<b>0.3</b>
<b>Income from ordinary operations</b>	<b>-3.3</b>	<b>2.1</b>	<b>-1.8</b>	<b>-0.9</b>
% of revenues	-10%	6%	-44%	-
<b>Q2 2015</b>				
<b>Revenues</b>	<b>30.4</b>	<b>34.2</b>	<b>4.1</b>	<b>0.6</b>
<b>Income from ordinary operations</b>	<b>-3.9</b>	<b>3.3</b>	<b>-0.5</b>	<b>-0.8</b>
% of revenues	-13%	10%	-11%	-
<b>Q2 2014</b>				
<b>Revenues (actual)</b>	<b>10.5</b>	<b>35.9</b>	<b>5.1</b>	<b>0.5</b>
<b>Income from ordinary operations</b>	<b>-1.0</b>	<b>1.1</b>	<b>-1.6</b>	<b>-0.4</b>
% of revenues	-10%	3%	-32%	-

## Condensed income statement

Consolidated accounts - IFRS (€M)	Q2 2014	Q2 2015	H1 2014	H1 2015
<b>Revenues</b>	<b>51.9</b>	<b>69.2</b>	<b>99.9</b>	<b>140.2</b>
<b>Gross margin</b>	<b>28.1</b>	<b>34.6</b>	<b>52.0</b>	<b>66.3</b>
% of revenues	54.1%	50.0%	52.0%	47.3%
<b>R&amp;D costs</b>	<b>12.6</b>	<b>15.0</b>	<b>24.2</b>	<b>29.8</b>
% of revenues	24.2%	21.6%	24.2%	21.3%
<b>Sales and marketing costs</b>	<b>9.4</b>	<b>12.6</b>	<b>18.2</b>	<b>25.2</b>
% of revenues	18.1%	18.2%	18.2%	18.0%
<b>Administrative costs and overheads</b>	<b>4.8</b>	<b>4.9</b>	<b>8.2</b>	<b>9.3</b>
% of revenues	9.3%	6.9%	8.2%	6.7%
<b>Production and quality costs</b>	<b>3.2</b>	<b>4.0</b>	<b>6.8</b>	<b>7.7</b>
% of revenues	6.1%	5.8%	6.8%	5.5%
<b>Income from ordinary operations</b>	<b>-1.9</b>	<b>-1.8</b>	<b>-5.4</b>	<b>5.8</b>
% of revenues	-3.6%	-1.3%	-5.4%	4.1%
<b>EBIT</b>	<b>-1.9</b>	<b>-3.4</b>	<b>-5.1</b>	<b>7.8</b>
% of revenues	-3.6%	-5.0%	-5.1%	5.6%
<b>Financial income / expense</b>	<b>0.2</b>	<b>0.1</b>	<b>0.6</b>	<b>0.7</b>
Share in income from associates	-	-	-	-
Corporate income tax	0.9	-1.4	-1.8	-2.4
Minority interests	0.1	0.2	-0.1	0.6
<b>Net income (Group share)</b>	<b>-2.6</b>	<b>-4.9</b>	<b>-6.3</b>	<b>-10.1</b>
% of revenues	-5.1%	-7.2%	-6.3%	-7.2%

## Consolidated balance sheet

Consolidated accounts - IFRS (€M)	Jun 30, 2014	Dec 31, 2014	Jun 30, 2015
<b>Non-current assets</b>	<b>93.5</b>	<b>100.5</b>	<b>100.3</b>
Goodwill	39.6	39.9	40.1
Other intangible assets	39.4	43.2	43.0
Property, plant and equipment	6.9	9.0	8.7
Financial assets	5.1	6.3	6.4
Investments in associates	-	-	-
Deferred tax assets	1.8	2.1	2.1
<b>Current assets</b>	<b>180.2</b>	<b>210.2</b>	<b>189.0</b>
Inventories	18.3	31.8	46.5
Trade receivables	41.2	62.6	48.3
Other receivables	33.0	26.0	28.2
Other current financial assets	25.6	19.4	13.0
Cash and cash equivalents	63.5	70.3	53.0
<b>TOTAL ASSETS</b>	<b>275.3</b>	<b>310.7</b>	<b>289.3</b>

Consolidated accounts - IFRS (€M)	Jun 30, 2014	Dec 31, 2014	Jun 30, 2015
<b>Shareholders' equity</b>			
Share capital	1.9	1.9	1.9
Issue and contribution premiums	50.0	50.7	44.8
Reserves excluding earnings for the period	151.3	131.0	116.6
Earnings for the period - Group share	-	-2.6	-10.1
Exchange gains or losses	-0.9	2.8	3.5
Equity attributable to Parrot SA shareholders	176.3	<b>183.8</b>	156.8
Minority interests	0.7	-0.9	-0.2
<b>Non-current liabilities</b>	<b>29.5</b>	<b>28.8</b>	<b>16.3</b>
Non-current financial liabilities	8.7	5.2	1.4
Provisions for pensions and other employee benefits	1.9	2.6	2.8
Deferred tax liabilities	-	0.1	-
Other non-current provisions	1.7	-	.0
Other non-current liabilities	20.5	21.0	12.0
<b>Current liabilities</b>	<b>61.2</b>	<b>98.9</b>	<b>116.0</b>
Current financial liabilities	12.8	7.3	0.4
Current provisions	7.6	8.5	11.0
Trade payables	28.3	61.2	49.3
Current tax liability	2.1	2.1	3.1
Other current liabilities	16.2	19.7	52.3
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>275.3</b>	<b>310.7</b>	<b>289.3</b>

## Cash-flow statement

Consolidated accounts - IFRS (€M)	Jun 30, 2014	Dec 31, 2014	Jun 30, 2015
<b>CASH FLOW FROM OPERATIONS</b>			
<b>Earnings for the period</b>	-6.4	-2.9	-9.5
Share in income from associates			
Depreciation and amortization	5.9	11.7	10.0
Capital gains and losses on disposals	NS	-	NS
Remeasurement of investments previously classed as equity associates	-0.7	0.9	-
Tax charges	1.8	4.1	2.4
Cost of share-based payments	1.1	2.6	0.8
Net finance costs	-0.5	-0.4	-0.3
Cash flow from operations before tax and net finance costs	<b>1.3</b>	<b>14.2</b>	<b>3.6</b>
Change in working capital requirements	-3.4	5.5	-13.2
Tax paid	0.1	-3.8	-0.8
<b>Net cash from operating activities (a)</b>	<b>-2.0</b>	<b>16.0</b>	<b>-10.4</b>
<b>INVESTING CASH FLOW</b>			
Acquisition of property, plant and equipment and intangible assets	-8.2	-19.4	-4.4
Acquisition of subsidiaries, net of cash acquired	0.5	.3	-
Acquisition of long-term financial investments	-2.7	-4.4	-0.2
Disposal of long-term financial investments	0.1	0.2	-0.1
<b>Cash flow from investment activities (b)</b>	<b>-10.3</b>	<b>-23.3</b>	<b>-4.5</b>
<b>FINANCING CASH FLOW</b>			
Equity contributions	0.5	1.0	1.3
Receipts linked to new loans	-	1.2	-
Cash invested for over 3 months	17.01	23.3	-6.4
Net finance costs	0.5	0.4	-0.3
Exchange hedging instruments	-	-	-
Repayment of short-term financial debt (net)	-3.1	-6.8	-10.5
Repayment of other debt	-	-	-
Treasury stock purchases and sales	-0.2	-	-3.0
<b>Cash flow from financing activities (c)</b>	<b>14.7</b>	<b>19.1</b>	<b>-5.4</b>
<b>Net change in cash position (d = a+b+c)</b>	<b>2.5</b>	<b>11.7</b>	<b>-20.4</b>
Net foreign exchange gain / loss	0.4	4.4	3.1
<b>Cash and cash equivalents at period-start</b>	<b>54.3</b>	<b>54.3</b>	<b>70.3</b>
<b>Cash and cash equivalents at period-end</b>	<b>57.2</b>	<b>70.3</b>	<b>53.0</b>
Other current financial assets	25.6	19.4	13.0
<b>Cash, cash equivalents and other current financial assets at period-end</b>	<b>82.8</b>	<b>89.7</b>	<b>66.0</b>

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