
Preliminary results for the fourth quarter of 2016

Reorganization of consumer drone operations

Preliminary financials

The financial data presented below are the Group's current best estimates and have not been audited or reviewed by the statutory auditors. The audited consolidated annual results, approved by the Board of Directors, will be published as planned on March 1, 2017.

At the end of the fourth quarter of 2016, Parrot is reporting revenues of around 85 million euros, coming in below its target of around 100 million euros announced at the end of November¹.

Revenues for the Automotive business came to around 23 million euros, in line with expectations.

Drones generated revenues of around 60 million euros, with approximately 11 million euros for commercial drones and 49 million euros for consumer drones.

The commercial performance for consumer drones in the fourth quarter was achieved based on margins that would be insufficient to deliver profitable growth for this business over the medium and long term.

The Group has set itself a priority to rapidly meet this challenge with a strategy to rebalance its finances.

Consumer drones: proposed reorganization and redeployment

Parrot has taken on board the changes in market for consumer drones and considers that the management of its development in this segment will involve an adaptation of its offer and a cost reduction phase.

The action plan mapped out aims to adapt the level of resources deployed in line with the level of business achieved in 2016, focusing on four key areas:

- Focusing the capacity for innovation on a reduced number of products with a commitment to taking a significant technological step forward;
- Redeploying the product offering, capitalizing in particular on the expertise built up in commercial drones;
- Realigning sales and marketing resources around the most profitable distribution channels and most promising markets;
- Adjusting the support teams to the level of business.

Consulting with its employee representatives, and following the legal framework applicable, Parrot is therefore envisaging a plan that could reduce its workforce by around 290 people out of a total of 840 staff currently working in the Group's Drone activities. These reductions would concern employees both in France and internationally. In France, this proposal would result in around 150 positions being made redundant, taking into account in particular possible redeployments in the Group's other activities.

¹ See Parrot press release from November 14, 2016: 2016 third-quarter earnings, available here: <https://corporate.parrot.com/en/financialpublications/2016third-quarterearnings>

The overall cost of this transition is estimated at around 45 million euros, including 20 million euros of asset writedowns, which will be provided for in the accounts for 2016.

Commercial drones: continued investments

The commercial drone business (mapping / monitoring, agriculture and inspection) has continued to develop. The range of commercial drones, services and solutions has been rationalized and has continued to be further strengthened.

In 2017, Parrot aims to accelerate its growth and continue moving forward with its investment plan, capitalizing on - as in the past - each subsidiary's assets, while at the same time promoting a vertical approach, adapted for certain customer segments looking for a complete, integrated offering, which Parrot has the means to serve effectively.

Automotive: progress with the partnership project and deconsolidation of the OEM business

Negotiations² with Faurecia concerning the OEM Automotive business are progressing in line with the framework announced on December 6, 2016 and, after approval by the Works Council, are expected to see the definitive agreements signed in January, which will be covered in a press release. The operations are expected to be rolled out during the first quarter following approval from the regulatory authorities.

Assuming that this partnership is completed successfully, the assets, liabilities and operations of Parrot Automotive (OEM Automotive business) would be presented in the accounts for 2016 in accordance with IFRS 5 "Assets Held for Sale", then after the agreements have been concluded, the company would be consolidated on an equity basis.

The development plan is in line with expectations, with growth to resume for the Automotive business in 2017.

Initial elements for assessing the financial outlook for 2017

With around 200 million euros of net cash at end-December 2016, in addition to the prospect of Faurecia subscribing for a capital increase with Parrot Automotive and the convertible bonds based on Parrot Automotive shares, Parrot is in a healthy financial position and will be able to finance its efforts to reestablish its operating balance and continue moving forward with its investments in a booming civil drone sector, within which it intends to play its role as a market leader to the full.

Parrot's Drone strategy is still in line with the strategy announced at the time of the capital increase at the end of 2015: developing an original positioning on the consumer segment, while ramping up its business in the commercial segment, aiming to build up a global and profitable market share in the civil drone sector.

For 2017, Parrot is targeting growth of around 10% for Drones and the Automotive business³, and it has set itself an objective to ensure that operations break even for the year, excluding transition costs for its consumer drone business.

² See Parrot press release from December 6, 2016: Project of partnership with Faurecia, available here: <https://corporate.parrot.com/en/pressrelease/projectofpartnershipwithfaurecia>

³ Considering that the OEM Automotive segment would be restated under IFRS 5 would be consolidated on an equity basis after the agreements have been concluded.

Henri Seydoux, Chairman and CEO of Parrot comments: « *Parrot is positioned on two highly promising high tech sectors: civil drones and connected cars. By rapidly reorganizing the company I am confident in the excellence of our technological choices and our ability to remain a leader while renewing with sustainable and profitable growth.* »

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 recreational drones and solutions for professional use.
- Connected objects: With a focus on audio and gardening.
- Automotive: With the most extensive range of hands-free communication and infotainment systems for vehicles on the market.

Headquartered in Paris, Parrot currently employs more than 1,000 people worldwide and generates the majority of its sales overseas. Parrot has been listed on Euronext Paris since 2006. (FR0004038263 – PARRO)

For more information: www.parrot.com

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