



## Earnings for Q3 2008: Performances significantly affected by the global economic slowdown

Paris, November 13<sup>th</sup>, 2008 – 5:40 pm

- **Revenues:** in Q3, sales generated 43.3 million euros (-7.6%), impacted by the economic downturn. At September 30<sup>th</sup>, 2008, revenues totaled 160.5 million euros (+1%). At constant exchange rates, annual growth comes out at 3.5%.
- **Gross margin:** Q3 gross margin came to 49.8% (vs. 47.6% in Q3 2007). At September 30<sup>th</sup>, the gross margin represented 52.2% (+2.6 pts).
- **EBIT:** 0.9 million euros in Q3, in relation to the revenue decrease. Over nine months, the operating margin comes out at 12.6% (vs. 13.1% at September 30<sup>th</sup>, 2007).
- **Net income:** 1.6 million euros for Q3. At September 30<sup>th</sup> the net margin is 10.6% (vs. 8.8% at September 30<sup>th</sup>, 2007).
- **Q3 2008** marked by:
  - 1.35 million product units sold;
  - Continued market share gains (83% in Europe\*), reflecting the quality of the Group's product range and the impetus given by the new sales teams;
  - Still excellent fundamentals and the sound financial structure;
  - The launch of new multistandard handsfree kits (MKi), further strengthening the range and consolidating Parrot's leadership;
  - Sustained growth in Plug & Play product sales, reflecting the success of the new products (Minikit);
  - The rapid identification of measures that will enable the Group to align its cost structure with the economic environment.

€'000,000	Q3 2008	9 months 2008	9 months 2007	Change (yoy)
<b>Revenues</b>	<b>43.3</b>	<b>160.5</b>	<b>158.9</b>	<b>+1.0%</b>
<b>Gross operating margin</b>	<b>21.6</b>	<b>83.8</b>	<b>78.8</b>	<b>+6.3%</b>
<i>% of revenues</i>	<i>49.8%</i>	<i>52.2%</i>	<i>49.6%</i>	<i>+2.6 pts</i>
<b>EBIT</b>	<b>0.9</b>	<b>20.1</b>	<b>20.8</b>	<b>-3.1%</b>
<i>% of revenues</i>	<i>2.0%</i>	<i>12.6%</i>	<i>13.1%</i>	<i>-0.5 pts</i>
<b>Net income (Group share)</b>	<b>1.6</b>	<b>17.1</b>	<b>13.9</b>	<b>+22.5%</b>
<i>% of revenues</i>	<i>3.7%</i>	<i>10.6%</i>	<i>8.8%</i>	<i>+1.9 pts</i>
<b>Net earnings per share (in €)</b>	<b>0.12</b>	<b>1.29</b>	<b>1.09</b>	<b>+18.3%</b>
Diluted net earnings per share (in €)	0.12	1.27	1.01	+25.7%

€'000,000	9 months 2008	9 months 2007	Change (yoy)
<b>Net debt</b>	<b>-52.5</b>	<b>-29.8</b>	<b>+76.2%</b>

**Henri Seydoux, Parrot's Chairman, CEO and founder, explains:** “Parrot has not been spared by the downturn in consumption, and the sudden economic contraction has impacted our margins. However, we are well equipped to come through this uncertain economic environment with confidence. Indeed, our fundamentals are sound: structurally dominant market shares, positive net cash position of over 50 million euros and no debt. Today, Parrot is a leading brand, driven by a renewed product portfolio, presenting the very latest technological innovations on the mobile phone market.

While the situation for end of year sales seems particularly sluggish and unpredictable, we believe that we must maintain our commercial efforts over the fourth quarter in light of the quality of our products, their price positioning and their value in use. At the same time, we are looking ahead to 2009 with caution and will implement a series of measures in order to be more selective with our operational spending. These actions will enable us to limit the fallout from the sharp deterioration in the current macroeconomic environment and prepare for the recovery under the best conditions”.

\* Units sold in Germany, Spain, France, Italy and the UK; source: GfK at June 30<sup>th</sup>, 2008

## Downturn in business over Q3 impacting levels of growth for the year

In Q3 2008, Parrot generated 43.3 million euros in revenues, down 7.6% on Q3 2007. Over nine months, growth comes out at 1%.

From a regional perspective, annual performances (nine months) are being hit by two main factors:

- The continued difficulties in Spain (32% of revenues; -23.2% yoy), where the retail electronics market is seeing negative growth;
- The slowdown in growth in the US (13% of revenues, +37.6% yoy), where consumer spending is decreasing for the first time in 17 years.

Excluding Spain, the Group's growth comes out at 18.5% over nine months.

Indeed, over Q3, Parrot benefited from the actions carried out on its distribution channels in the UK (8% of revenues, +38.7% yoy and +4.9% vs. Q2 2008) and Germany (5.5% of revenues, +64.2% yoy and +81.4% vs. Q2 2008).

On other regions, sales of Parrot products over Q3 were adversely affected by the downturn in consumption, whereas market shares are up across the board.

In this way, despite the economic decline, Parrot has continued to improve the referencing and visibility of its products, while adapting its marketing to the various distribution channels (electronic products, automobile, mobile phone and mass retail).

On the various product ranges, levels of business over nine months are consistent with those from the start of the year. The handsfree kit range (65% of revenues) is still down slightly (-4%), while sales for the Plug & Play (6% of revenues) and OEM (15% of revenues) segments are up 61.3% and 38.4% respectively.

Over the quarter, the isolated slowdown in the OEM business is exclusively attributable to the expected drop in orders from a longstanding client. This will be offset by the major design wins in 2008, which will continue contributing to growth. The good performances on Plug & Play products (+117% yoy) have been driven by the rapid success of the new Minikits launched at the end of Q2. Lastly, multimedia accounts for less than 1% of revenues, following the recent repositioning on upscale with the designer collection.

During Q3, Parrot launched a new handsfree kit range (MKi), all offering multi-connectivity (Bluetooth, USB and above all iPod/iPhone) and geared to various client segments. These new handsfree kits are already being very well received (innovations, connectivity, compatibility, ease-of-use, compliance with regulatory constraints). In time, they will replace the old products (CK ranges) and are expected, along with the Parrot RK8200 car radio launched in Q2, to represent major growth drivers for this segment.

## Gross margin and EBIT

For Q3 2008, Parrot's gross margin represented 49.8% (+2.2 pts yoy). The variation (-2.6 pts) between Q3 and Q2 2008 is primarily due to the change in the product mix in favor of Plug & Play. Over the period, the dollar's rise had a limited impact. Without factoring in the contract for the distribution of navigation products in Spain, the gross margin on all Parrot products comes out at 53.7%, significantly higher than the industry average.

Over nine months, the gross margin is 52.2% (vs 49.6% at September 30<sup>th</sup>, 2007)

For EBIT, at 0.9 million euros, has temporarily been affected by the sharp slowdown in growth, whereas spending is on the whole in line with historical levels and seasonal patterns.

Sales and marketing costs came to 10.4 million euros (vs. 12 million euros in Q2), while research and development costs totaled 6.1 million euros (vs. 5.6 million euros in Q2), with this slight increase due to the write-downs brought about by the repositioning of the multimedia range. For their part, production and general costs are stable.

At September 30<sup>th</sup>, 2008, EBIT came to 20.1 million euros, representing an operating margin of 12.6%.

## Net income

For Q3 2008, the net financial result represents 1.1 million euros, mainly reflecting the healthy management of the Group's cash position. Net income (Group share) totaled 1.6 million euros.

At September 30<sup>th</sup>, 2008, net income is 17.1 million euros, up 22.5% over nine months, with a net margin of 10.6%. The Group's average tax rate is 22.2%, factoring in a 2.7 million euro research tax credit. Net earnings per share represent 1.29 euros (vs. 1.09 euros at September 30<sup>th</sup>, 2007).

## Financial structure

Parrot is in a sound financial position, with 53.6 million euros in cash at September 30<sup>th</sup>, 2008. Share buybacks carried out since the start of the year represent 3.7 million euros.

Over the quarter, net cash from operating activities came to 3.6 million euros (vs. -1.7 million euros in Q3 2007), of which 2.1 million euros have been reinvested. The Group does not have any debt and is therefore not exposed to the deterioration in the credit market. The net cash position represents 52.5 million euros.

At September 30<sup>th</sup>, 2008, the balance sheet represents a total of 171.3 million euros. Working capital is effectively under control, coming in at 37.7 million euros (vs. 40.4 million euros at September 30<sup>th</sup>, 2007). Within the current context, the

Group is paying particular attention to outstanding trade receivables, which represent 43 million euros (25% of assets, compared with 31% at September 30<sup>th</sup>, 2007). Shareholders' equity stands at 121.8 million euros.

### Outlook for 2008

For the current year, within a deteriorated economic environment, Parrot cautiously estimates that it will be able to achieve around 205 million euros in revenues, with an operating margin (excluding exceptional items) of approximately 8%.

For 2009, the Group is adapting its cost structure to the new situation, with the measures identified including:

- Adjusting sales and marketing costs,
- Optimizing logistics costs (product selection, transportation and invoicing channels),
- Reducing staffing levels in Spain and freezing hires at Group level,
- Reducing the use of subcontracting.

Parrot will be publishing its annual results for 2008 on February 13<sup>th</sup>, 2009 after close of trading.

### ABOUT PARROT

Founded in 1994, Parrot has rapidly established itself as a pivotal global player for wireless mobile telephone accessories. Drawing on its tried-and-tested expertise on voice recognition and signal processing technologies, Parrot was one of the very first companies to produce Bluetooth®-enabled wireless handsfree car kits, having identified this standard's vast potential as early as 1999.

Determined to accompany the mobile telephone's irresistible breakthrough into our day-to-day lives, Parrot has been developing a new range of Multimedia products since 2006, including wireless hi-fi systems and LCD photo frames.

Today, Parrot truly has a major international focus, both in terms of its client base, with 86.6% of sales generated outside of France, and in terms of production, outsourced to carefully selected partners, enabling it to achieve the best possible level of quality and responsiveness. Parrot is now particularly well positioned to capitalize on the bright future opening up for mobile telephone devices.

Parrot has seen sustained growth in its consolidated revenues, which have tripled since 2005. In 2007, Parrot sold over 5 million product units and generated 220 million euros in revenues, up 32% on 2006.

[www.parrotcorp.com](http://www.parrotcorp.com)

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## APPENDICES

### Breakdown of revenues by region

<i>% of revenues</i>	<i>Q3 2008</i>	<i>9 months 2008</i>	<i>9 months 2007</i>
<b>France</b>	13%	15.1%	12.6%
<b>UK</b>	7.6%	6.9%	8.1%
<b>Netherlands and Belgium</b>	6.5%	7.9%	6.8%
<b>Germany</b>	5.5%	3.1%	2.8%
<b>Spain</b>	34.3%	31.9%	42%
<b>Italy</b>	3%	3.7%	3.4%
<b>US</b>	10.9%	12.6%	9.2%
<b>Rest of Europe</b>	5.1%	6.3%	6%
<b>Rest of world</b>	14.2%	12.6%	9.2%

### Breakdown of revenues by segment

<i>% of revenues</i>	<i>Q3 2008</i>	<i>9 months 2008</i>	<i>9 months 2007</i>
<b>OEM</b>	16.4%	15.3%	11.2%
<b>Installed kits</b>	59.2%	65.1%	68.6%
<b>Plug &amp; Play</b>	8.7%	6.2%	3.9%
<b>Multimedia</b>	0.7%	0.9%	2.9%
<b>Other</b>	15.1%	12.4%	13.4%

## Income statement

€'000	Q3 2008	9 months 2008	9 months 2007
<b>Revenues</b>	<b>43,275</b>	<b>160,461</b>	<b>158,875</b>
Cost of sales	-21,702	-76,685	-80,060
<b>Gross margin</b>	<b>21,572</b>	<b>83,777</b>	<b>78,815</b>
<b>Gross margin as % of revenues</b>	<b>49.8%</b>	<b>52.2%</b>	<b>49.6%</b>
Research and development costs	-6,140	-17,180	-13,946
<i>% of revenues</i>	<i>-14.2%</i>	<i>-10.7%</i>	<i>-8.8%</i>
Sales and marketing costs	-10,437	-33,125	-31,269
<i>% of revenues</i>	<i>-24.1%</i>	<i>-20.6%</i>	<i>-19.7%</i>
General costs	-2,119	-7,153	-7,328
<i>% of revenues</i>	<i>-4.9%</i>	<i>-4.5%</i>	<i>-4.6%</i>
Production and quality	-1,999	-6,171	-5,473
<i>% of revenues</i>	<i>-4.6%</i>	<i>-3.8%</i>	<i>-3.4%</i>
<b>EBIT</b>	<b>878</b>	<b>20,147</b>	<b>20,799</b>
<i>% of revenues</i>	<i>2.0%</i>	<i>12.6%</i>	<i>13.1%</i>
Cost of net financial debt	437	1,270	702
Other financial income and expenses	718	541	-1,424
<b>Financial income</b>	<b>1,155</b>	<b>1,811</b>	<b>- 722</b>
Corporate income tax	-425	-4,871	-6,129
<b>Net income (Group share)</b>	<b>1,608</b>	<b>17,087</b>	<b>13,948</b>
<i>% of revenues</i>	<i>3.7%</i>	<i>10.6%</i>	<i>8.8%</i>

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