Parrot

move wireless

2008 earnings in line with expectations

Adaptating the business to the economic environment

Sustainable leadership

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- **2008 revenues in line with objectives:** 206.6 million euros, with a 6% drop due specifically to the downturn in business over Q4 (Q4 2008 revenues: 46.1 million euros, down -24.3%).
- **2008 gross margin:** 50.9% (compared with 49.6% in 2007). Excluding the contract for the distribution of navigation products in Spain, the gross margin comes out at 53.6% for 2008.
- **2008 current operating margin in line with expectations**: 8.7% (vs. 12.2% in 2007), with 17.9 million euros in income from ordinary operations.
- **2008 net income:** 14.0 million euros, representing a net margin of 6.8% (vs. 9.1% in 2007).
- **Q4 2008** marked by:
  - 1 million products sold;
  - A slowdown in business set against a global recession;
  - The deployment of measures to align the Group's cost structure with the economic environment;
  - Continued market share gains, confirming the quality of the Group's product offering;
  - The rapid ramping up of revenues generated by the products launched in 2008, confirming the adaptation of the brand's products for current mobile technologies;
  - Still sound fundamentals, with a strong financial structure.

Consolidated accounts under IFRS - unaudited (€'000,000)	**Q4 2008**	Q4 2007	**12 months 2008**	12 months 2007
Revenues	**46.1**	**60.9**	**206.6**	**219.8**
Gross operating margin	**21.4**	**30.3**	**105.1**	**109.1**
% of revenues	*46.3%*	*49.6%*	*50.9%*	*49.6%*
Income from ordinary operations	**-2.3**	**6.1**	**17.9**	**26.9**
% of revenues	-	*10.0%*	*8.7%*	*12.2%*
EBIT	**-4.6**	**6.1**	**15.6**	**26.9**
% of revenues	-	*10.0%*	*7.5%*	*12.2%*
Net income (Group share)	**-3.1**	**6.0**	**14.0**	**20.0**
% of revenues	-	*9.9%*	*6.8%*	*9.1%*
Net earnings per share (in €uros)	**-0.24**	**0.46**	**1.08**	1.56
Diluted net earnings per share (in €uros)	-0.23	0.45	1.06	1.46

€'000,000	**Dec 31, 2008**	**Dec 31, 2007**
Net cash position	**43.4**	37.4

As Henri Seydoux, Parrot's Chairman, CEO and founder comments: "*In 2008, we gained market shares, further strengthened our product portfolio, set out our difference and our ability to innovate across all of our ranges. At the same time, we have significantly improved the Group's operational structure and cash flow generation, all factors that will enable us to limit the consequences of the sharp deterioration in the current economic environment and prepare for the recovery under the best possible conditions. Lastly, Parrot is proud to be able to count on a skilled and clear-sighted team, determined to meet the challenges for 2009, which, in light of the first indicators, looks set to be an original year*".

Slowdown in business over Q4 due to the deterioration in the economic environment

Following the increase in uncertainties in July, the suddenness and unprecedented scale of the economic and financial crisis in September have directly resulted in a further and sharp deterioration in the macroeconomic context. This assessment applies to Parrot, which saw a significant slowdown in sales over the second half of 2008, and more specifically in Q4, also in light of an unfavorable base effect compared with 2007, as well as highly cautious positions in the retail sector and the marked slowdown in consumption.

Within this context, revenues came to 46.1 million euros in Q4 2008, down 24.3% on Q4 2007. Over the full year, revenues totaled 206.6 million euros, with business down 6% at current exchange rates and 4.6% at constant exchange rates.

Developments for each region

Sales performances have been mixed depending on the country, and are being affected by the widespread economic slowdown, particularly in the main developed countries. Over Q4, market conditions deteriorated significantly, particularly in the US, France and Italy, where sales were down in relation to Q4 2007. The UK market has been the exception, with billing bouncing back by +23.3% over the last quarter of the year.

Spain, which accounted for 31.8% of annual sales in 2008 (vs. 40.6% in 2007), has seen a drop in its sales, affecting consolidated performance levels. Excluding Spain, revenue growth would have come out at +7.8% over 2008.

On all the regions, market shares are growing, illustrating that the difficulties linked to the economic environment are independent from the quality of Parrot's products, ranging from 40% in Germany up to 94% in Spain (source: GFK, January to December 2008, as a % of units sold).

Evolution in the product mix

Over Q4, installed handsfree kit sales weathered the conditions well on the whole, with a similar level of revenues to Q3 2008. The new range of MKi handsfree systems, perfectly well suited to fulfill the new needs created by mobility -- with its multiple connections (iPod®, iPhone™ / iTouch®, USB, memory card, line entry) -- has made a strong breakthrough. Its sales already represent nearly 25% of revenues of this product range.

OEM sales increased by 17.9% over the full year, with this strong growth achieved despite a slowdown in the trend over Q4 due to the sharp destocking trend seen in the automobile sector and the end of an historical contract as expected at the start of H2 2008. The major design wins in 2008 (JVC, Pioneer, Hyundai and top European auto manufacturers) are expected to make up for this trend to some extent, with the first billings up over the second half of 2009. Parrot highlights the fact that the OEM business has an excellent level of visibility with an order book over four years, consolidating its ability to maintain a sustained rate of growth over the next few years.

Sales of Plug&Play products confirm the good trends seen in the previous quarters, with growth picking up pace throughout the year (+69.2% over the year in 2008 and +87.9% in Q4 2008 vs. with Q3 2008). The success of the products launched in 2008, and more specifically the Minikit Slim, a portable and technology-rich Bluetooth handsfree kit (voice recognition, voice synthesis, vibrating audio panel technology, etc.), is being confirmed, while its purchase price (69 euros including VAT) is enabling it to be in line with current consumption behaviors.

Multimedia products performed well over the quarter (6.1% of revenues over Q4 2008, compared with 0.7% in Q3 2008). While benefiting from a favorable seasonal pattern, Parrot is rolling out a stock liquidation strategy on this segment. In time, the Multimedia range will be realigned to focus exclusively on "Parrot By" products, which are benefiting from a less competitive positioning and stronger brand awareness.

The segment for "Other products", which primarily concerns the navigation products historically distributed by the Spanish subsidiary, saw its sales fall by 30.6% over the year and 47.0% in Q4 2008, compared with Q4 2007.

Gross margin

Over the full year in 2008, the gross margin is up 1.3 points to 50.9%. For Q4 2008, Parrot recorded a gross margin of 46.3%. The margin rate reflects the impact of the dollar's rise and the product mix. Excluding the contract for distributing navigation products in Spain, the gross margin on all of Parrot's products came to 48.8% for Q4 2008, still significantly higher than average of the industry.

Income from current operations and EBIT

At December 31st, 2008, income from ordinary operations totaled 17.9 million euros, representing a current operating margin of 8.7%. Current operating expenses over the full year were kept under control, following on from the first results achieved with the cost cutting measures rolled out in Q4.

For Q4, sales and marketing costs are down slightly, coming in at 13.7 million euros (compared with 14.2 million euros in Q4 2007). Research and development costs totaled 5.6 million euros (compared with 5.4 million euros in Q4 2007). Production and quality control costs have increased slightly, in line with the product launch period, while general costs are down 14.8%, reflecting the first results of the cost cutting measures adopted over the period. More specifically, this concerns the 15% reduction in the workforce in Spain, the freeze on hires at Group level, and effective control and prioritization for costs.

At December 31st, 2008, EBIT came to 15.6 million euros, representing a current operating margin of 7.5%. This factors in 2.3 million euros in non-recurring expenses, corresponding to a provision on stocks of Multimedia items (excluding the "Parrot By" range) and on the commitments to purchase components associated with these products.

Net income

At December 31st, 2008, net income (Group share) totaled 14.0 million euros, representing a net margin of 6.8%. It includes 2.1 million euros in financial income, compared with a financial expense of -0.6 million euros in 2007, which can be broken down into 1.6 million euros in net financial income and 0.5 million euros in foreign currency translation gains.

The average tax rate over the year represents 20.5%, with a 3.4 million euro research tax credit for 2008. Net earnings per share come out at 1.08 euros (weighted average number of shares outstanding at December 31st, 2008: 12,931,100), compared with 1.56 euros at December 31st, 2007.

Financial structure

Parrot is in a sound financial position to cope with the possibility of a lasting deterioration in the economic context. The Group's closing cash position was up 12.9% to 44.6 million euros at December 31st, 2008, compared with 39.5 million euros at December 31st, 2007. The slight contraction in cash flow over Q4 primarily reflects the 4.1 million euros in treasury share buybacks, taking the level of treasury stock up to 7.1% of the capital.

Cash flow from operations over the year came to 18.6 million euros (compared with 11.2 million euros in 2007), making it possible to finance the year's investments (7.2 million euros in 2008, compared with 11.9 million euros in 2007), which were scaled down significantly in Q4 2008.

The Group does not have any debt and has 114.9 million euros in equity (compared with 106.0 million euros at December 31st, 2007), with 8.7 euros in net assets per share.

Outlook for 2009

In light of the deterioration in the macroeconomic context over the last few months and the resulting lack of visibility, Parrot is approaching 2009 with added vigilance and a strong focus on operating expenses.

Furthermore, for the first half of 2009, Parrot is forecasting a drop of around 10 points in its gross margin compared with the same period in 2008, factoring in the impact of a strong dollar, the isolated slowdown in OEM sales and the change in the product mix in favor of Plug&Play, which is weathering the crisis more effectively.

In view of this, the Group is adapting its cost structure in line with demand, with the savings measures that are currently being rolled out including:

- Adjusting sales and marketing costs, on which the Group plans to save 50% over the full year in 2009, primarily on advertising, while maintaining trade marketing;
- Continuing to reduce general costs, following on from the measures taken in Q4 ;
- Reducing the use of subcontracting on R&D, which accounts for 10% of this section's annual costs and which will not compromise the Group's capacity for innovation, driving its future growth;
- Optimizing logistics costs (stock circuits, transportation and product billing).

All of these actions should enable the Group to reduce the impacts of the slowdown in business over 2009.

With a product portfolio realigned around current trends and addressing various client segments, Parrot is confident that it will be able to effectively capitalize on its markets that are still trending up and prepare for any upturn in the business under the best possible conditions.

Parrot will be publishing its earnings for Q1 2009 after close of trading on May 15th, 2009.

APPENDICES
CONSOLIDATED IFRS ACCOUNTS (UNAUDITED)

Breakdown of revenues by region

% of revenues	Q4 2008	2008	2007
France	12.7%	14.5%	13.4%
UK	10.2%	7.7%	7.6%
Netherlands and Belgium	9.6%	8.2%	7.0%
Germany	2.8%	3.0%	2.6%
Spain	31.5%	31.8%	40.6%
Italy	4.2%	3.8%	3.8%
US	9.1%	11.8%	10.0%
Rest of Europe	6.0%	6.2%	6.0%
Rest of world	14.0%	12.9%	9.0%

Breakdown of revenues by segment

% of revenues	Q4 2008	2008	2007
OEM	14.1%	15.1%	12.0%
Installed kits	53.4%	62.5%	66.5%
Plug & Play	15.3%	8.2%	4.6%
Multimedia	6.1%	2.1%	4.0%
Other	11.2%	12.1%	12.9%

Income statement

€'000	Q4 2008	2008	2007
Revenues	**46,116**	**206,577**	**219,804**
Cost of sales	-24,749	-101,434	-110,742
Gross margin	**21,367**	**105,143**	**109,062**
Gross margin as *% of revenues*	**46.3%**	**50.9%**	**49.6%**
Research and development costs	-5,611	-22,791	-19,341
% of revenues	*12.2%*	*11%*	*8.8%*
Sales and marketing costs	-13,667	-46,792	-45,435
% of revenues	*29.6%*	*-22.7%*	*20.7%*
General costs	-2,362	-9,515	- 10,099
% of revenues	*5.1%*	*4.6%*	*4.6%*
Production and quality	- 1,986	- 8,157	-7,278
% of revenues	4.3%	3.9%	3.3%
Income from ordinary operations	**-2,260**	**17,887**	**26,909**
% of revenues	**-4.9%**	**8.7%**	**12.2%**
Non-recurring operating expenses	-2,310	-2,310	
EBIT	**-4,570**	**15,577**	**26,909**
% of revenues	**-9.9%**	**7.5%**	**12.2%**
Cost of net financial debt	335	1,604	835
Other financial income and expenses	-90	451	-1,393
Net financial income/loss	**245**	**2,056**	**- 558**
Corporate income tax	1,262	- 3,609	- 6,386
Net income (Group share)	**- 3,062**	**14,024**	**19,965**
% of revenues		**6.8%**	**9.1%**

Balance sheet - assets

€'000	Dec 31, 2008	H1 2008	Dec 31, 2007
Non-current assets	**34,307**	**34,025**	**32,993**
Goodwill	21,528	20,903	21,016
Other intangible fixed assets	7,495	8,072	6,962
Tangible fixed assets	4,548	4,430	4,437
Financial assets	299	284	280
Deferred tax assets	437	336	298
Current assets	**131,195**	**129,471**	**117,819**
Inventories	33,518	20,660	21,106
Trade receivables	42,540	52,017	50,095
Other receivables	10,531	5,848	7,105
Cash and cash equivalents	44,606	50,945	39,514
Total assets	**165,502**	**163,495**	**150,812**

Balance sheet - liabilities

€'000	Dec 31, 2008	H1 2008	Dec 31, 2007
Shareholders' equity			
Share capital	2,035	2,031	1,992
Issue and contribution premiums	60,468	60,363	59,919
Reserves and retained earnings	38,026	40,907	23,657
Earnings for the period	14,024	15,478	19,965
Translation gains	383	323	492
Equity attributable to Parrot SA shareholders	**114,936**	**119,102**	**106,025**
Minority interests	--	--	--
Non-current liabilities	**4,922**	***3,137***	***3,379***
Long-term financial debt	0	0	1,000
Pension provisions and related commitments	506	331	304
Deferred tax liabilities	3,798	2,224	1,611
Other non-current provisions	618	582	465
Current liabilities	**45,643**	***41,256***	***41,408***
Short-term financial debt	1,172	1,136	1,137
Derivatives	0	0	0
Current provisions	2,429	1,133	1,202
Trade payables	31,887	26,498	28,332
Current tax liability	1,655	3,111	1,749
Other current liabilities	8,501	9,378	8,988
Total shareholders' equity and liabilities	**165,502**	**163,495**	**150,812**

Cash flow statement

€'000	Dec 31, 2008	H1 2008	Dec 31, 2007
Operating cash flow			
Earnings for the period	14,024	15,478	19,965
Depreciation and amortization	6,948	3,307	5,395
Capital gains and losses on disposals	101	9	20
Tax charges	3,609	4,446	6,386
Cost of share-based payments	2,086	987	2,471
Cost of net financial debt	-1,604	-832	-835
Cash flow from operations before tax and cost of net financial debt	25,164	23,396	33,402
Change in working capital	-2,270	-2,045	-15,341
Tax paid	-4,250	-1,768	-6,884
Net cash from operating activities (a)	**18,644**	**19,582**	**11,177**
Investing cash flow			
Acquisition of tangible and intangible fixed assets	-7,027	-4,365	-9,368
Acquisition of subsidiaries, net of cash acquired (1)	-154	0	-2,477
Acquisition of long-term financial investments	-20	-	-78
Disposal of tangible and intangible fixed assets	1	1	12
Cash flow from investment activities (b)	**-7,200**	**-4,364**	**-11,910**
Financing cash flow			
Equity contributions	592	483	6,371
Cost of net financial debt	1,604	832	835
Repayment of short-term financial debt (net)	-1,001	-1,001	-1,000
Repayment of other debt	0	0	-13,992
Acquisition of treasury stock	-7,790	-3,735	-383
Cash flow from financing activities (c)	**-6,596**	**-3,422**	**-8,170**
Net change in cash position (d = a+b+c)	**4,848**	**11,797**	**-8,902**
Net exchange rate differences	244	-365	-257
Cash and cash equivalents at year-start	**39,514**	**39,514**	**48,674**
Cash and cash equivalents at year-end	**44,606**	**50,945**	**39,514**

End of release

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