



# Parrot

move wireless

## 2<sup>nd</sup> Quarter 2009 earnings

Paris, July 30<sup>th</sup>, 2009 - 5:40 pm

- **Revenues:** 40.3 million euros in Q2, stable (+3.1%) in relation to Q1 2009, with first-half revenues totaling 79.4 million euros, down 32.2% compared with the first half of 2008. The decrease in line with the level of demand expected by the Group.
- **Gross margin:** 46.5%, the same level over the first two quarters. Excluding the contract for the distribution of navigation products in Spain, the gross margin came out at 48.3% over the half-year period.
- **EBIT:** 0.5 million euros in Q2, reflecting the effectiveness of the Group's actions to maintain its operational balance. Over the first half of the year, EBIT came to 0.6 million euros.
- **Net income:** 1.9 million euros in Q2, once again benefiting from tax income. Over the first half of the year, net income came to 2.4 million euros, representing 0.18 euros per share.
- **Q2 2009** marked by:
  - Full impact of measures to cut operating costs, stabilized at 18 million euros, 17.6% lower than Q2 2008;
  - Positive change in cash flow, representing 12.5 million euros over the quarter, primarily thanks to the reduction in working capital, taking net cash up to 64.4 million euros at June 30<sup>th</sup>, 2009;
  - Beginning of an upturn in OEM sales over Q2 (+24.4% in relation to Q1);
  - Level of sales maintained for the installed handsfree kit range in relation to the previous quarter, thanks in particular to the strong contribution by MKi9x00 handsfree systems, designed specifically for iPhone products and launched in Q4;
  - Listing of Zikmu Parrot by Philippe Starck wireless speakers in 20 countries, with leading retailers, specialized in high-end Hi-Fi. The first commercial effects are noteworthy in view of the current economic environment.

Consolidated accounts - IFRS (€000,000)	Q1 2009	Q2 2009	H1 2009	H1 2008
Revenues	39.1	40.3	79.4	117.2
of which, navigation products <sup>(1)</sup>	1.7	1.8	3.5	5.6
Gross margin	18.2	18.7	37.0	62.2
% of revenues	46.5%	46.5%	46.5%	53.1%
EBIT	0.1	0.5	0.6	19.3
% of revenues	0.2%	1.4%	0.8%	16.4%
Net income (Group share)	0.4	1.9	2.3	15.5
% of revenues	1.2%	4.7%	3.0%	13.2%
Net earnings per share (€)	0.03	0.15	0.18	1.18
Diluted net earnings per share (€)	0.03	0.15	0.18	1.15

€000,000	Mar 31, 09	Jun 30, 09	Jun 30, 08
Net cash position (negative net debt)	51.9	64.4	49.8

(1) Share of revenues from the contract for distributing navigation products in Spain.

**As Henri Seydoux, Parrot's chairman, chief executive officer and founder, explains:** *“Earnings for the second quarter are in line with our expectations, and we are going to hold our course in order to mitigate the impacts of the third quarter's usual seasonal slowdown as effectively as possible. Our new products are being very well received in the current environment, confirming the legitimacy of our positioning on wireless devices for the new generation of mobile handsets and more specifically the iPhone. More than handsfree telephony, and the comfort it offers, today we are offering our customers a genuine portability solution for digital music. We will continue to develop our business focusing on this area, while continuing to look into other new uses within the cell phone universe”.*

## Level of business in Q2 2009

On the whole, business over Q2 was consistent with the trends seen in Q1. In a still deteriorated macroeconomic climate, and in view of the continued selective sales policy, Parrot's revenues totaled 40.3 million euros, down 30.8% over one year, but up 3.1% compared with Q1 2009.

### Development of sales for each product range:

Over the period, installed handsfree kit sales (62.8% of revenues), although down 32.6% on an annual basis, have been maintained at the same level since Q4. The segment is continuing to be driven by sales generated on the historical flagship products (CK3x00), as well as ongoing moves to ramp up new products (MKi9x00). They accounted for nearly 30% of revenues over the quarter, thanks in particular to their technologies and features designed specially for the iPhone and the latest generation of smartphones integrating music.

OEM product sales (15.8% of revenues) reflect the end of the destocking policies. In Q2 2009, revenues increased by 24.4% in relation to the previous quarter. Over the period, a product including the OEM offer was notably launched by Pioneer: the latest generation of car radios equipped with Parrot technologies, such as Bluetooth handsfree telephony and advanced voice recognition features. In line with forecasts from the start of the year, OEM orders are expected to continue picking up pace during the second half of the year (excluding the third quarter's usual seasonal effect).

Products from the Plug&Play range (10.1% of revenues) are continuing to weather the crisis effectively, with revenues climbing 18.3% compared with Q2 2008 and 5.6% compared with Q1 2009.

The Multimedia range (3.0% of revenues) has once again benefited from the stock clearance policy, which, as planned, is coming to an end. At the same time, the flagship collection from the Parrot By collection – the Zikmu (Parrot by Philippe Starck) wireless digital speakers – are being well received. Distribution contracts have been sealed with high-end Hi-Fi specialists in 20 countries, where listings are currently being expanded.

### Development of sales for each regional market:

Sales have once again been affected by the economic slowdown. Over the period, Spain, where new vehicle registrations are down by more than 34% over one year, represents the country that has been worst hit. Excluding Spain, the Group's second-quarter revenues are up 16.7% on the previous quarter.

The highlights of Q2 2009 are as follows:

- Contrasting with the trend observed in previous quarters, the level of sales in Spain (27.5% of revenues) contracted over the period. In an increasingly difficult macroeconomic climate, Parrot's revenues in Spain are down 30.6% (28.5% excluding the contract for the distribution of navigation products) in relation to Q2 2008.
- In France (15.0% of revenues), the second quarter saw revenue growth of 17.6% compared with the previous quarter. More specifically, the Group's dynamic commercial development has been supported by various promotional campaigns (Parrot month at Norauto, Minikit bundle + free DVD).
- In the UK (12.7% of revenues), following the integration of revenues generated in Ireland (previously recorded under "Rest of Europe"), second-quarter sales are up 62.5% over the year and 71.1% compared with Q1. At the same time, market conditions have improved significantly on the main distribution channels (motor accessory specialists and mobile phone stores). However, on this region, sales are historically volatile and short-term visibility is still limited.
- In Germany (5.8% of revenues), revenues are up 78.5% versus Q2 2008, thanks to the new distribution strategy rolled out in this country since the start of the year. This strategy is focusing on a selection of specialist retailers able to effectively cover the entire country. As such, revenues generated in Austria and Switzerland have been incorporated into the figure for the "Rest of Europe", accounting for the quarter's poor performance (-25.1% compared with Q1 2009).
- In the US (3.7% of revenues), the level of demand has improved slightly in relation to Q1, with revenues increasing 9.1%. This growth is primarily due to the strengthening of listings with new specialized retailers and the expansion of the certified installers program.

## Gross margin and EBIT

For Q2 2009, Parrot's gross margin represented 46.5% of revenues (48.5% excluding the contract for the distribution of navigation products in Spain). The gross margin is equal to the level recorded in the first quarter and remains high, thanks in particular to the lower fall in the dollar and the favorable contribution by the product mix over the period.

EBIT came to 0.5 million euros, reflecting the full impact of the savings measures rolled out since the beginning of the year. Over the period, operating costs were reduced by 17.6% compared with Q2 2008, and are stable in relation to the previous quarter. The detailed breakdown of operating expenses reflects the following:

- R&D spending has been maintained, coming in at 6.0 million euros for Q2. The change over the period (+7% in relation to Q1 2009) reflects the isolated increase in R&D costs on products in their final development phase. These

new products, some of which could be launched this autumn, include similar features to those behind the success of the recent Mki9x00 handsfree kits.

- The continued reduction in sales and marketing spending, which came to 7.9 million euros (compared with 8.6 million euros in Q1 2009). This lower level is primarily due to the full impact of the reductions in the workforce, while marketing budgets have been kept at their level from the start of the year, in line with consumption patterns during a crisis period.

- The effective control over general costs, which totaled 2.4 million euros (compared with 2.1 million euros in Q1 2009). The change over the quarter is due to non-recurring expenses linked to the reorganization of the Group and the restructuring of its subsidiaries.

- The main measures affecting payroll were taken as soon as the crisis broke out. Over the period, human resources management was stable, with 453 people at June 30<sup>th</sup> (456 at March 31<sup>st</sup>, 09). Since the crisis began, the Group's total headcount has been reduced by 12% (workforce and external providers).

## Net income

Net income (Group share) totaled 1.9 million euros in Q2, representing 0.15 euros per share, a significant improvement compared with Q1 2009 (0.5 million euros, with 0.03 euros per share), benefiting from 1.4 million euros in tax income over the period.

## Financial structure

Parrot is in a sound financial position, with 64.4 million euros in net cash at June 30<sup>th</sup>, 2009, compared with 43.4 million euros at December 31<sup>st</sup>, 2008. Net cash from operating activities came to 22.8 million euros at June 30<sup>th</sup>, notably thanks to the additional efforts made to effectively manage working capital, which changed by 11.7 million euros over the second quarter.

These positive flows easily covered investments, which represented 2.4 million euros at June 30<sup>th</sup>, with the net change in cash flow over the half-year period coming out at 19.9 million euros.

In line with the reduction in working capital and the improvement in management ratios, Parrot's assets on its balance sheet at June 30<sup>th</sup> included 18.2 million euros of inventories (33.5 million euros at December 31<sup>st</sup>, 2008) and 34.9 million euros in trade receivables (42.5 million euros at December 31<sup>st</sup>, 2008).

Parrot does not have any debt and has 118.6 million euros in equity (114.9 million euros at December 31<sup>st</sup>, 2008), with 9.2 euros in net assets per share.

## Outlook

Over the short term, Parrot does not expect to see any significant change in demand, while earnings for the next quarter will most likely reflect the unfavorable impact of the third quarter's usual seasonal pattern. In light of the lack of visibility, combined with the volatility resulting from the current macroeconomic environment, the Group is maintaining its focus on the savings measures rolled out since the end of 2008.

However, with its current level of cash flow (64.4 million euros), the Group is able to consider reactivating, as of the end of Q3 2009, its sourcing capabilities, while supporting its sales and marketing efforts. These actions will accompany the introduction of a selection of new products that have been developed thanks to continued R&D investments over this half-year period. If possible, in view of the economic environment, marketing operations will support product launches as well as Parrot's flagship products, driving performance forward as effectively as possible for Q4 2009.

## Financial calendar

The financial report on the first half of 2009 will be published on August 5<sup>th</sup>, 2009.

Earnings for Q3 2009 (ending September 30<sup>th</sup>) will be published on November 13<sup>th</sup>, 2009 after close of trading.

### About PARROT

Parrot, a global leader in wireless devices for mobile phones, stands on the cutting edge of innovation. The company was founded in 1994 by Henri Seydoux as part of his determination to drive the inevitable breakthrough of mobile phones into everyday life by creating high-quality, user-friendly wireless devices for easy living. Parrot has developed the most extensive range of hands-free systems on the market for cars, motorbikes and scooters, including wireless multimedia products geared towards audiovisual applications. In 2008, Parrot launched a new prestige line of high-end products bearing the hallmark of renowned artists. Parrot, headquartered in Paris, currently employs 450 people worldwide and generates 85% of its sales overseas. Parrot is listed on NYSE Euronext Paris since 2006.

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

NYSE Euronext Paris – Eurolist C: FR0004038263 – PARRO

## Appendices

### Breakdown of revenues by region

<i>% of revenues</i>	<b>Q1 2009</b>	<b>Q2 2009</b>	<b>H1 2009</b>	<b>Q2 2008</b>	<b>H1 2008</b>
France	13.2%	15.0%	14.1%	16.1%	15.8%
Spain	36.0%	27.5%	31.7%	27.5%	31.0%
UK <sup>(1)</sup>	7.7%	12.7%	10.2%	5.4%	6.7%
Netherlands and Belgium	10.0%	10.5%	10.2%	9.5%	8.4%
Italy	4.8%	4.4%	4.6%	4.0%	3.9%
Germany <sup>(2)</sup>	8.0%	5.8%	6.9%	2.2%	2.2%
Rest of Europe	5.4%	4.1%	4.8%	5.9%	6.7%
US	3.5%	3.7%	3.6%	15.6%	13.2%
Rest of world	11.4%	16.3%	13.9%	13.8%	12.1%

(1) From Q2 2009, revenues generated in Austria and Switzerland are reallocated to "Rest of Europe"

(2) From Q2 2009, revenues generated in Ireland are reallocated to "UK"; whereas they were previously included under "Rest of Europe"

### Breakdown of revenues by segment

<i>% of revenues</i>	<b>Q1 2009</b>	<b>Q2 2009</b>	<b>H1 2009</b>	<b>Q2 2008</b>	<b>H1 2008</b>
Installed kits	65.2%	62.8%	64.0%	64.6%	67.3%
OEM	13.1%	15.8%	14.4%	15.5%	14.9%
Plug & Play	9.8%	10.1%	10.0%	5.9%	5.3%
Multimedia	3.3%	3.0%	3.2%	0.8%	1.0%
Other	8.6%	8.3%	8.5%	13.3%	11.4%

### Condensed income statement

<i>€'000</i>	<b>Q1 2009</b>	<b>Q2 2009</b>	<b>H1 2009</b>	<b>Q2 2008</b>	<b>H1 2008</b>
Revenues	<b>39,112</b>	<b>40,310</b>	<b>79,422</b>	<b>58,268</b>	<b>117,187</b>
Cost of sales	-20,908	-21,551	-42,459	-27,724	-54,982
<b>Gross margin</b>	<b>18,204</b>	<b>18,759</b>	<b>36,963</b>	<b>30,545</b>	<b>62,204</b>
<i>% of revenues</i>	46.5%	46.5%	46.5%	52.4%	53.1%
Research and development costs	-5,585	-5,978	-11,563	-5,605	-11,040
<i>% of revenues</i>	14.3%	-14.8%	-14.6%	9.6%	9.4%
Sales and marketing costs	-8,577	-7,872	-16,449	-11,962	-22,689
<i>% of revenues</i>	21.9%	-19.5%	-20.7%	20.5%	19.4%
General costs	-2,104	-2,430	-4,534	-2,358	-5,034
<i>% of revenues</i>	5.4%	-6.0%	-5.7%	4.0%	4.3%
Production and quality	-1,870	-1,931	-3,801	-2,178	-4,172
<i>% of revenues</i>	4.8%	-4.8%	-4.8%	3.7%	3.6%
<b>EBIT</b>	<b>71</b>	<b>548</b>	<b>616</b>	<b>8,441</b>	<b>19,269</b>
<i>% of revenues</i>	0.2%	1.4%	0.8%	14.5%	16.4%
Net financial income	181	169	350	510	832
Other financial income and expenses	-111	-254	-365	9	-177
Corporate income tax	315	1,437	1,752	-1,800	-4,446
<b>Net income (Group share)</b>	<b>456</b>	<b>1,901</b>	<b>2,357</b>	<b>7,160</b>	<b>15,478</b>
<i>% of revenues</i>	1.2%	4.7%	3.0%	12.3%	13.2%

End.

®The Bluetooth word mark and logos are owned by the Bluetooth SIG, Inc. and any use of such marks by Parrot S.A. is under license. Other trademarks and trade names are those of their respective owners. Tous droits réservés. Les marques PARROT figurant sur ce document sont la propriété exclusive de la société PARROT. Toutes les autres marques sont la propriété de leurs détenteurs respectifs et sont utilisées sous licence par la société PARROT

#### CONTACTS

Analyst and investor relations – Press relations

Marie Ein

T: +33(0) 1 53 65 68 68

[parrot@calyptus.net](mailto:parrot@calyptus.net)