



2009 third-quarter earnings

Paris, November 12th, 2009 – 5:40 pm

- **Revenues:** 38.8 million euros for the third quarter. Affected by the usual seasonal slowdown seen during the summer, revenues came in slightly lower than the previous quarter (-3.8%). Compared with the third quarter of 2008, revenues, down -10.3%, contracted less than the previous quarters.
- **Gross margin:** 46.3%, in line with the year's previous quarters. Excluding the contract for the distribution of navigation products in Spain, the gross margin came out at 49.0% over the quarter.
- **Operating income:** 2.0 million euros in the third quarter, representing an operating margin of 5.1% (compared with 1.4% in Q2 2009), reflecting the full impact of the savings measures rolled out by the Group in order to effectively tackle the economic slowdown.
- **Net income:** 1.8 million euros for the third quarter. Net earnings per share for the first nine months of the year is at 0.32 euros.
- **A third quarter of 2009 marked by:**
 - 1.0 million product units sold, with a clear upturn in OEM sales.
 - The full impact of measures to cut operating costs, paving the way for a significant improvement in the operating margin, up from 2.0% in the third quarter of 2008 to 5.1%;
 - The reduced level of working capital maintained over the period, once again contributing to cash generation. At September 30th, net cash represented 72.8 million euros, compared with 64.4 million euros at June 30th, 2009;
 - The ramping up of products from the Multimedia range, specifically attributable to the breakthrough achieved by the Zikmu Parrot by Starck wireless digital speakers, whose international listing is being finalized.

Consolidated accounts - IFRS (€000,000)	Q1 2009	Q2 2009	Q3 2009	Q3 2008	Δ YoY
Revenues	39.1	40.3	38.8	43.2	-10.4%
Of which, navigation products ⁽¹⁾	1.7	1.8	2.4	3.5	-45.8%
Gross margin	18.2	18.7	17.9	21.5	-16.8%
% of revenues	46.5%	46.5%	46.3%	49.8%	-3.5 pts
Operating income	0.1	0.5	2.0	0.8	124.8%
% of revenues	0.2%	1.4%	5.1%	2.0%	+3, 1pts
Net income (Group share)	0.4	1.9	1.8	1.6	12.5%
% of revenues	1.2%	4.7%	4.7%	3.7%	+1 pt
Net earnings per share (€)	0.03	0.15	0.14	0.12	16.6%
Diluted net earnings per share (€)	0.03	0.15	0.14	0.12	

€000,000	Mar 31, 09	Jun 30, 09	Sep 30, 09	Sep 30, 08	Δ YoY
Net cash position (negative net debt)	51.9	64.4	72.8	52.5	38.6%

⁽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: *"Despite the seasonal slowdown in sales, earnings for this quarter reflect the responsiveness and flexibility shown by Parrot since the start of the year. In the end, we are bringing this 2009 financial year to a close with a stronger than ever financial structure, optimized processes and our continued leadership. Several positive factors are going to help drive Parrot's expansion over the long term: innovations in the mobile telephony sector are continuing to move forward, notably with the arrival of the Google Android, which includes free navigation in mobiles, as well as the iPhone's continued success for which Parrot has a number of products. At the same time, the legislative constraints concerning in-car phone use are continuing to be strengthened, with recent developments seen in certain States in Canada as well as in New Zealand".*

Level of business in Q3 2009

Business over the third quarter is consistent with the Group's expectations, contracting slightly, with a sequential fall of 3.8%, in line with the drop in sales seen each year during the summer. However, the impacts of the slowdown in consumption, felt since the crisis began in September 2008, are considerably less marked: in relation to the third quarter of 2008, the Group's revenues are down 10.4%, compared with ~30% for the previous quarters.

Development of sales for each product range:

Over the period, the negative impact of seasonal patterns exclusively concerns mass retail channels (mainly auto specialists and telecoms specialists). In this way, installed handsfree kit sales represented 56.1% of revenues (compared with 62.8% in Q2 2009), with Plug & Play products accounting for 7.8% of revenues (compared with 10.1% in Q2 2009). However, despite falling by an average of 15.7% (handsfree kits and Plug & Play) in relation to Q2 2009 and Q3 2008, sales started picking up again following the end of the summer period.

OEM sales (18.9% of revenues in Q3 2009, compared with 15.8% in Q2 2009) have seen a clear upturn. 2009 third-quarter revenues are up 15.5% in relation to the previous quarter and 3.3% on a yearly basis, confirming the ramping up of the OEM contracts signed in 2008. This good performance has been driven by the first orders for supplying the latest generation Parrot chips and modules, as well as billing for the preliminary development stages on OEM solutions. Dedicated to the auto industry, the latest OEM products enable manufacturers to integrate solutions combining Parrot's advanced handsfree telephony technologies with connectivity technologies to link up iPod / iPhone, usb keys, orMP3 player to the car radio systems.

Multimedia range sales (3.3% of revenues in Q3 2009, compared with 3.0% in Q2 2009) reveal the initial breakthrough achieved by products from the "Parrot by" collection and more specifically the Zikmu Parrot by Philippe Starck wireless digital speakers. Combining Parrot's technologies with the talent of a renowned designer, this range is being developed to explore new growth drivers and also represents a key vehicle for the Group's image. Over the period, revenues on this range climbed 6.1% in relation to the second quarter and were multiplied by four compared with the third quarter of 2008.

Development of sales for each regional market:

Although sales have been affected by the combined impacts of seasonal patterns and a still unfavorable economic environment, the commercial dynamics for each region over the third quarter reflect a less marked slowdown than for previous periods during the year. The highlights of the quarter are as follows:

- In Spain (28.6% of revenues), sales are stable in relation to the previous quarter. Despite a particularly difficult economic situation, the measures taken by the government to support the auto industry (scrappage bonus scheme) appear to have had a positive impact on sales.
- In Germany (3.9% of revenues) and Italy (2.8% of revenues), changes in the teams temporarily undermined sales for the quarter. The new teams have been in place since the end of September.
- In North America (4.3% of revenues), the level of demand has improved slightly: in relation to the second quarter of 2009, revenues are up 10.3%. This growth is primarily due to the strengthening of listings with new specialized retailers, particularly in three Canadian States where legislation forbidding in-car mobile phone use is currently being strengthened.
- For the rest of the world (17.7% of revenues), the significant sales growth achieved (+61.7% versus Q3 2008) reflects the upturn in OEM orders from Asian-based customers.

Gross margin, operating income and net income

In the third quarter of 2009, Parrot's gross margin was stable, coming in at 46.3% of revenues (49.0% excluding the contract for the distribution of navigation products in Spain). In this way, despite the seasonal variations affecting the product mix, the dollar's fall has made it possible to offset the lower level of profitability of the new OEM applications and the Multimedia range, both still being in the expansion phase in terms of volumes and therefore margin.

Operating income came to 2.0 million euros, reflecting the full impact of the savings measures rolled out since the beginning of the year. This shows a significant level of annual and sequential growth, compared with 0.5 million euros in operating income for the second quarter of 2009 and 0.9 million euros for the third quarter of 2008.

Over the period, the Group's cost structure bottomed out thanks to optimized management, particularly in terms of the policy for paid leave.

Net income (Group share) came to 1.8 million euros for the third quarter. Over nine months, net earnings per share represented 0.32 euros.

Financial structure

With 72.8 million euros in net cash at September 30th, 2009 (64.4 million euros at June 30th, 2009), Parrot is in a sound financial position. For the quarter, net cash from operating activities totaled 9.8 million euros, with 1.2 million euros reinvested. Over nine months, the net change in the cash position came to 28.5 million euros (compared with 13.9 million euros at September 30th, 2008), driven mainly by the reduction in working capital.

Over the period, working capital also bottomed out. In this way, Parrot's assets on its balance sheet at September 30th included 15.7 million euros of inventories (compared with 18.2 million euros at June 30th, 2009) and 32.9 million euros in trade receivables (compared with 34.9 million euros at June 30th, 2009).

Parrot does not have any debt and has 120.6 million euros in equity (118.6 million euros at June 30th, 2009), with 9.3 euros in net assets per share.

Outlook for Q4 2009

Parrot has chosen to boost sales for the fourth quarter of 2009 in order to benefit from the possible favorable impact of the end-of-year holidays on consumption.

In this way, Parrot is implementing a policy to support sales which could reduce its operational profitability. This program includes increasing the level of orders for finished products from subcontractors in Asia and putting in place a strong marketing strategy, specifically geared to the Christmas period. At the same time, the Group is finalizing the R&D programs focused on preparing its product catalogue for 2010, aiming to unveil new innovative products at the Consumer Electronics Show (CES) in January 2010. Although faced with an uncertain economic environment, Parrot is giving itself the means to look ahead to 2010 with a strong product catalogue, in line with the latest mobile telephony innovations.

Financial diary

2009 full-year earnings will be released after close of trading on February 15th, 2010 and will be followed by an analysts meeting (SFAF).

A propos de PARROT

Parrot, leader mondial des périphériques sans fil pour téléphones mobiles, est une entreprise à la pointe de l'innovation fondée par Henri Seydoux en 1994. Son pari ? Accompagner la percée irrésistible du téléphone mobile en créant des périphériques sans fil pour nous faciliter la vie. Parrot développe la gamme la plus étendue du marché de systèmes mains libres pour la voiture ou le deux-roues, ainsi que des produits multimédia sans fils dédiés au son et à l'image. En 2008, Parrot a lancé sa collection Parrot By qui se compose de produits haut de gamme désignés par des artistes de renom. Parrot, dont le siège est à Paris, compte aujourd'hui 450 collaborateurs dans le monde et réalise 85% de ses ventes à l'étranger. Parrot est cotée depuis 2006 sur Nyse Euronext Paris.

www.parrot.com

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Appendices

Breakdown of revenues by region

% of revenues	Q1 2009	Q2 2009	Q3 2009	Q3 2008
France	13.2%	15.0%	11.1%	13.0%
Spain	36.0%	27.5%	28.6%	34.3%
UK ⁽¹⁾	7.7%	12.7%	9.5%	7.6%
Netherlands and Belgium	10.0%	10.5%	9.1%	6.5%
Italy	4.8%	4.4%	2.8%	3.0%
Germany ⁽²⁾	8.0%	5.8%	3.9%	5.5%
Rest of Europe	5.4%	4.1%	5.1%	5.1%
US	3.5%	3.7%	4.3%	10.9%
Rest of world	11.4%	16.3%	25.5%	14.2%

(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

% of revenues	Q1 2009	Q2 2009	Q3 2009	Q3 2008
Installed kits	65.2%	62.8%	56.1%	59.2%
OEM	13.1%	15.8%	18.9%	16.4%
Plug & Play	9.8%	10.1%	7.8%	8.7%
Multimedia	3.3%	3.0%	3.3%	0.7%
Other	8.6%	8.3%	13.9%	15.1%

Condensed income statement

€000	Q1 2009	Q2 2009	Q3 2009	Q3 2008
Revenues	39,112	40,310	38,794	43,275
Cost of sales	-20,908	-21,551	-20,846	-21,702
Gross margin	18,204	18,759	17,948	21,572
% of revenues	46.5%	46.5%	46.3%	49.8%
Research and development costs	-5,585	-5,978	-5,105	-6,140
% of revenues	14.3%	14.8%	13.2%	14.2%
Sales and marketing costs	-8,577	-7,872	-6,970	-10,437
% of revenues	21.9%	19.5%	18.0%	24.1%
General costs	-2,104	-2,430	-2,132	-2,119
% of revenues	5.4%	6.0%	5.5%	4.9%
Production and quality	-1,870	-1,931	-1,764	1,999
% of revenues	4.8%	4.8%	4.5%	4.6%
Current operating income	68	548	1,977	878
% of revenues	0.2%	1.4%	5.1%	2.0%
Operating income	71	549	1,973	878
% of revenues	0.2%	1.4%	5.1%	2.0%
Net financial income	181	169	140	437
Other financial income and expenses	-111	-254	-421	718
Corporate income tax	315	1,437	119	-425
Net income (Group share)	456	1,901	1,810	1,608
% of revenues	1.2%	4.7%	4.7%	3.7%

End.

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