



## 4<sup>th</sup> quarter / 2009 full-year earnings

### Successful adaptation to the environment Leading market position strengthened

Paris, February 12<sup>th</sup>, 2010 – 5:40 pm  
further to the Board of Directors meeting on February 11<sup>th</sup>, 2010

- **2009 revenues:** 50.3 million euros in the 4<sup>th</sup> quarter, up +30.0% in relation to Q3 2009 and +9.0% versus Q4 2008. Annual revenues totaled 168.5 million euros, down -18.4% over the year.
- **2009 gross margin: 49.4% for the 4<sup>th</sup> quarter (compared with 46.3% in Q4 2008).** Over the year, the gross margin came in higher than expectations, with 47.3%. Excluding the contract for the distribution of navigation products in Spain, the gross margin came out at 49.5% for 2009.
- **2009 EBIT: 4.8 million euros for the 4<sup>th</sup> quarter (compared with -4.6 million euros in Q4 2008), representing an operating margin of 9.6%.** Over the year, EBIT came to 7.4 million euros, with an operating margin of 4.4% (compared with 15.6 million euros and 7.5% in 2008). The savings measures rolled out have made it possible to maintain both profitability and the dynamic innovation drive.
- **2009 net income: 5.4 million euros in the 4<sup>th</sup> quarter (compared with -3.1 million euros in Q4 2008).** Over the year, net income totaled 9.6 million euros, representing a net margin of 5.7% (compared with 14.0 million euros and 6.8% in 2008), with 0.73 euros in net earnings per share.
- **4<sup>th</sup> quarter of 2009** marked by:
  - 1.6 million product units sold;
  - Significant and encouraging level of seasonal growth (+30%);
  - Strong performance by installed handsfree kits over the Christmas period;
  - Return to growth on the OEM business;
  - Full impact of savings measures with regard to the increase in revenues;
  - Continued market share gains;
  - Sound fundamentals and financial structure.

| Consolidated accounts under IFRS<br>unaudited (€'000,000) | Q4 2009      | Q4 2008      | 2009<br>12 months   | 2008<br>12 months   |
|---|--------------|--------------|---------------------|---------------------|
| <b>Revenues</b>   | <b>50.3</b>  | <b>46.1</b>  | <b>168.5</b>        | <b>206.6</b>        |
| <b>Gross operating margin</b>                             | <b>24.9</b>  | <b>21.4</b>  | <b>79.8</b>         | <b>105.1</b>        |
| <i>% of revenues</i>                                      | <i>49.4%</i> | <i>46.3%</i> | <i>47.3%</i>        | <i>50.9%</i>        |
| <b>Income from ordinary operations</b>                    | <b>4.8</b>   | <b>-2.3</b>  | <b>7.4</b>          | <b>17.9</b>         |
| <i>% of revenues</i>                                      | <i>9.6%</i>  | <i>-4.9%</i> | <i>4.4%</i>         | <i>8.7%</i>         |
| <b>EBIT</b>   | <b>4.8</b>   | <b>-4.6</b>  | <b>7.4</b>          | <b>15.6</b>         |
| <i>% of revenues</i>                                      | <i>9.6%</i>  | <i>-9.9%</i> | <i>4.4%</i>         | <i>7.5%</i>         |
| <b>Net income (Group share)</b>                           | <b>5.4</b>   | <b>-3.1</b>  | <b>9.6</b>          | <b>14.0</b>         |
| <i>% of revenues</i>                                      | <i>10.8%</i> | <i>-6.6%</i> | <i>5.7%</i>         | <i>6.8%</i>         |
| <b>Net earnings per share (€)</b>                         | <b>0.41</b>  | <b>-0.23</b> | <b>0.73</b>         | <b>1.08</b>         |
| Diluted net earnings per share (€)                        | 0.41         | -0.23        | 0.73                | 1.06                |
| <b>€'000,000</b>  |              |              | <b>Dec 31, 2009</b> | <b>Dec 31, 2008</b> |
| <b>Net cash</b>   |              |              | <b>76.0</b>         | <b>43.4</b>         |

**As Henri Seydoux, Parrot's Chairman, CEO and founder, explains:** "In 2009, we gained market shares and maintained our strong innovation drive. From a financial standpoint, Parrot has shown the efficiency and effectiveness of its organization, as well as its ability to adapt during this crisis year. As in the past, we will continue looking into new opportunities for growth, while sustaining the development of dedicated auto products. With the Zikmu Parrot By Philippe Starck and our AR.Drone project, we currently have two highly promising leads. By accompanying the remarkable and ongoing expansion of the mobile phone and its new uses, we will be able to continue with our development and improve our profitability over the long term".

## Good 4<sup>th</sup> quarter in 2009

Following a year that was heavily marked by the economic crisis, the 4<sup>th</sup> quarter of 2009 saw growth, driven by the dynamic commercial performance during the end-of-year holiday season. At 50.3 million euros, revenues are up 9.0% in relation to the same period the previous year and 29.6% compared with the 3<sup>rd</sup> quarter of 2009.

For 2009, Parrot's full-year revenues came in at 168.5 million euros, representing an annual fall of 18.4%. In a difficult economic environment, Parrot has consolidated its leading position: Parrot's market share in Europe in the installed handsfree systems segment, the Group's core business, climbed to 88% versus 82% the previous year<sup>1</sup>.

### Developments for each product range

In 2009, **the installed handsfree kit range** (59.7% of 2009 revenues, compared with 62.5% in 2008) effectively positioned itself on the two profiles for mobile phone users (smartphones / conventional mobiles), while targeting different customer segments (products ranging from 100 to 300 euros including VAT).

The new MKi and RKi handsfree systems, launched respectively at the end of 2008 and start of 2009, accounted for nearly 30% of the range's revenues. Thanks to their multiple connections (iPod, iPhone, iTouch, USB, memory card, line entry), this latest generation of installed handsfree kits is confirming its success linked to the new needs created by mobility.

During the 4<sup>th</sup> quarter of 2009, with a comprehensive offering geared to current trends, the installed handsfree kit range achieved growth of 13.8% compared with the 4<sup>th</sup> quarter of 2008.

Throughout 2009, **the Plug & Play product range** (10.5% of 2009 revenues, compared with 8.2% in 2008) continued ramping up and confirmed the success of the Minikit Slim, an entry-level product (69 euros) blending design and technology. The Minikit Slim, which will now be the main product in the range, has also benefited from different models being rolled out based on its design, addressing a broader customer base.

Since the end of 2008, **the multimedia product range** (3.0% of 2009 revenues, compared with 2.1% in 2008) has been realigned to focus exclusively on the "Parrot By" high-end product line. The first half of the year's dynamic commercial development was driven by the destocking strategy for discontinued products. In the second half, the Parrot By products took up the baton, and more specifically the Zikmu Parrot by Philippe Starck wireless speakers. This high-end product, whose distribution network has gradually been deployed in around 20 countries, has seen a largely positive reception.

In 2009, **the OEM business** represented 15.9% of revenues (compared with 15.1% in 2008). Over the first half of the year, the orders put back in connection with the industry's destocking policy faced with the crisis and the end of a significant contract in the US resulted in a temporary contraction in the business. During the second half, orders gradually picked up again and the first deliveries were made for two new key accounts in Asia, acquired the previous year, paving the way for a gradual upturn in OEM revenues.

The Other segment (10.9% of 2009 revenues, compared with 12.1% in 2008) reported a structural decline which is not representative, particularly since these revenues do not contribute towards the Group's profitability.

### Developments for each region

Annual sales performances varied depending on the country, reflecting the local economic situations. The key trends for 2009 were as follows:

- The 21.9% drop in sales in Spain (30.4% of 2009 revenues, compared with 31.8% in 2008), faced with a particularly difficult economic climate.
- The fall in sales in the US (3.8% of 2009 revenues, compared with 11.8% in 2008), following the exceptional commercial performances achieved in 2008 linked to the strengthening of the legislative framework concerning in-car phone use in the state of California. This poor performance, which was recorded suddenly at the start of the year, can be explained by the restrictive behavior of consumers during a crisis period, the lenient application of the new regulatory framework by the local authorities and the end of a significant OEM contract. From the 2<sup>nd</sup> quarter of 2009, sales rose steadily throughout the year.
- The dynamic commercial performance achieved in Germany (4.9% of 2009 revenues, compared with 3.0% in 2008) and the UK (9.6% of 2009 revenues, compared with 7.7% in 2008).
- In Asia (16.1% of 2009 revenues, compared with 8.0% in 2008), Parrot's strong revenue growth reflects the start in orders from new OEM customers.

In the 4<sup>th</sup> quarter of 2009, all the main regions posted growth, with the breakdown of business for each region more specifically revealing a stabilization of sales in Spain for the third consecutive quarter.

<sup>1</sup> Source: GfK, change in bluetooth handsfree kit sales in Europe's five main countries over the period from January to September 2009 and January to September 2008 as a% of units sold. Market shares over 12 months are not available on the date of this press release.

## Gross margin

In 2009, the gross margin came in at 47.3%, higher than the Group's expectations (cf. press release from February 13<sup>th</sup>, 2009). The margin rate benefited from a lower fall for the dollar, combined with the Group's effective management of purchases in dollars and related currencies. Without factoring in the contract for the distribution of navigation products in Spain, the gross margin on all Parrot products was 49.5% in 2009.

For the 4<sup>th</sup> quarter, the gross margin was 49.4% (compared with 46.3% in Q4 2008), once again supported by the dollar's exchange rate against the euro, as well as the product mix and more specifically the good performance – 2009 full-year earnings on installed handsfree kits and the OEM business over the period.

## EBIT

At December 31<sup>st</sup>, 2009, EBIT came to 7.4 million euros, representing an operating margin of 4.4%. Over the year, operating expenses were reduced by 17 million euros. The cost reduction plan, rapidly rolled out by the Group, has primarily focused on sales and marketing spending, which fell 31.5% in 2009. At the same time, spending on research and development, guaranteeing future growth, has been maintained at its historical levels, in line with the Group's innovation policy. Other cost items have been adapted to the drop in revenues.

For the 4<sup>th</sup> quarter, EBIT totaled 4.8 million euros, representing an operating margin of 9.6%. The strong increase in operational profitability over the period reflects the full impact of the savings measures, combined with a resumption of revenue growth. Indeed, this revenue growth was made possible by the seasonal increase, traditionally seen in the 4<sup>th</sup> quarter, in the Group's main expenditure items.

## Net income

In 2009, net income (Group share) totaled 9.6 million euros, giving a net margin of 5.7%. It includes 0.5 million euros in financial income, compared with 2.0 million euros for 2008, resulting from the Group's cash investments.

The average tax rate over the year represents 20.8%, including a 3.9 million euro research tax credit recorded for 2009. Net earnings per share came out at 0.73 euros (weighted average number of shares outstanding in 2009: 13,075,787), compared with 1.08 euros at December 31<sup>st</sup>, 2008.

## Financial structure

With 76.0 million euros in net cash at December 31<sup>st</sup>, 2009, Parrot is in a sound financial position. For the year, net cash from operating activities totaled 36.6 million euros, with 4.4 million euros reinvested. Over 12 months, the net change in the cash position came to 31.6 million euros (compared with 4.8 million euros in 2008).

The change in working capital over 2009 came to 17.6 million euros, confirming the flexibility of Parrot's business model. Parrot's assets on its balance sheet at December 31<sup>st</sup>, 2009 included 12.2 million euros of inventories (compared with 33.5 million euros at December 31<sup>st</sup>, 2008) and 42.1 million euros in trade receivables (compared with 42.5 million euros at December 31<sup>st</sup>, 2008).

In terms of liabilities, Parrot does not have any financial debt and has 126.6 million euros in equity (114.9 million euros at December 31<sup>st</sup>, 2008), with 9.7 euros in net assets per share.

## Recent developments and outlook for 2010

Parrot will continue with its highly dynamic drive for innovation and expansion in the most buoyant markets. However, in view of uncertainties surrounding the strength of the economic recovery, Parrot is approaching 2010 with caution, at least for the first half of the year.

During the first six months, R&D investments will gradually be stepped up and sales and marketing spending will steadily pick up again, accompanying the restocking of products with a view to preparing for the second half of 2010 as effectively as possible. With good visibility over its OEM order book, Parrot expects this business to make a positive contribution to its revenue growth. In this way, the Group is currently forecasting a return to moderate growth in its revenues and an improvement in its operational profitability.

Furthermore, following its widely covered arrival in the videogame accessories segment for mobile phones and the highly positive reception received by the Parrot AR.Drone at the Las Vegas CES in January 2010, the Group will be preparing very carefully for the launch of the first wifi-controlled quadricopter. Other new products, which have been developed thanks to continued R&D spending, will also be able to be launched during the second half of the year in the traditional handsfree system world.

The far-reaching actions carried out in 2009 to optimize the management tools, reporting and logistics platforms will help further strengthen the Group's financial and operational position. By approaching 2010 in two stages, Parrot plans to benefit from the flexibility of its organization in order to consider a return to strong growth, dependent to a large extent on the level of consumption and tangible improvements in the macroeconomic environment.

**Parrot will be publishing its earnings for the 1<sup>st</sup> quarter of 2010 at start of trading on May 14<sup>th</sup>, 2010.**

**APPENDICES**  
**CONSOLIDATED FINANCIAL STATEMENTS (IFRS)**  
(FY 2009 - currently being audited)

**Breakdown of revenues by region**

| <i>% of revenues</i>           | <b>Q4 2009</b> | <b>Q4 2008</b> | <b>2009</b> | <b>2008</b> |
|--------------------------------|----------------|----------------|-------------|-------------|
| <b>France</b>                  | 12.1%          | 12.7%          | 12.8%       | 14.5%       |
| <b>UK</b>                      | 8.7%           | 10.2%          | 9.6%        | 7.7%        |
| <b>Netherlands and Belgium</b> | 8.4%           | 9.6%           | 9.4%        | 8.2%        |
| <b>Germany</b>                 | 2.7%           | 2.8%           | 4.9%        | 3.0%        |
| <b>Spain</b>                   | 29.9%          | 31.5%          | 30.4%       | 31.8%       |
| <b>Italy</b>                   | 4.3%           | 4.2%           | 4.1%        | 3.8%        |
| <b>US</b>                      | 3.8%           | 9.1%           | 3.8%        | 11.8%       |
| <b>Rest of Europe</b>          | 5.1%           | 6.0%           | 5.0%        | 6.2%        |
| <b>Rest of world</b>           | 25.1%          | 14.0%          | 19.9%       | 12.9%       |

**Breakdown of revenues by segment**

| <i>% of revenues</i>   | <b>Q4 2009</b> | <b>Q4 2008</b> | <b>2009</b> | <b>2008</b> |
|------------------------|----------------|----------------|-------------|-------------|
| <b>OEM</b>             | 16.0%          | 14.1%          | 15.9%       | 15.1%       |
| <b>Installed kits</b>  | 55.7%          | 53.4%          | 59.7%       | 62.5%       |
| <b>Plug &amp; Play</b> | 13.4%          | 15.3%          | 10.5%       | 8.2%        |
| <b>Multimedia</b>      | 2.4%           | 6.1%           | 3.0%        | 2.1%        |
| <b>Other</b>           | 12.4%          | 11.2%          | 10.9%       | 12.1%       |

**Income statement**

| <i>€000</i>                            | <b>Q4 2009</b> | <b>Q4 2008</b> | <b>2009</b>    | <b>2008</b>    |
|--|----------------|----------------|----------------|----------------|
| <b>Revenues</b>                        | <b>50,279</b>  | <b>46,116</b>  | <b>168,495</b> | <b>206,577</b> |
| Cost of sales                          | -25,417        | -24,749        | -88,722        | -101,434       |
| <b>Gross margin</b>                    | <b>24,862</b>  | <b>21,367</b>  | <b>79,773</b>  | <b>105,143</b> |
| <b>Gross margin as % of revenues</b>   | <b>49.4%</b>   | <b>46.3%</b>   | <b>47.3%</b>   | <b>50.9%</b>   |
| Research and development costs         | -7,133         | -5,611         | -23,801        | -22,791        |
| % of revenues                          | 14.2%          | 12.2%          | -14.1%         | 11.0%          |
| Sales and marketing costs              | -8,634         | -13,667        | -32,054        | -46,792        |
| % of revenues                          | 17.2%          | 29.6%          | -19.0%         | 22.7%          |
| General costs                          | -2,485         | -2,362         | -9,151         | -9,515         |
| % of revenues                          | 4.9%           | 5.1%           | -5.4%          | 4.6%           |
| Production and quality                 | -1,797         | -1,986         | -7,362         | -8,157         |
| % of revenues                          | 3.6%           | 4.3%           | -4.4%          | 3.9%           |
| <b>Income from ordinary operations</b> | <b>4,812</b>   | <b>-2,260</b>  | <b>7,405</b>   | <b>17,887</b>  |
| % of revenues                          | <b>9.6%</b>    | <b>-4.9%</b>   | <b>4.4%</b>    | <b>8.7%</b>    |
| Non-recurring operating expenses       | 0.0            | -2,310         | 0.0            | -2,310         |
| <b>EBIT</b>                            | <b>4,812</b>   | <b>-4,570</b>  | <b>7,405</b>   | <b>15,577</b>  |
| % of revenues                          | <b>9.6%</b>    | <b>-9.9%</b>   | <b>4.4%</b>    | <b>7.5%</b>    |
| Cost of net financial debt             | 113            | 335            | 602            | 1,604          |
| Other financial income and expenses    | 705            | -90            | -81            | 451            |
| Corporate income tax                   | -221           | 1,262          | 1,651          | -3,609         |
| <b>Net income (Group share)</b>        | <b>5,410</b>   | <b>-3,062</b>  | <b>9,577</b>   | <b>14,024</b>  |
| % of revenues                          | <b>10.8%</b>   | <b>-6.6%</b>   | <b>5.7%</b>    | <b>6.8%</b>    |

## Balance sheet - assets

| €000                          | <i>Dec 31, 2009</i> | <i>Dec 31, 2008</i> |
|-------------------------------|---------------------|---------------------|
| <b>Non-current assets</b>     | <b>30,933</b>       | <b>34,307</b>       |
| Goodwill                      | 21,125              | 21,528              |
| Other intangible fixed assets | 5,482               | 7,495               |
| Tangible fixed assets         | 3,797               | 4,548               |
| Financial assets              | 392                 | 299                 |
| Deferred tax assets           | 136                 | 437                 |
| <b>Current assets</b>         | <b>137,348</b>      | <b>131,195</b>      |
| Inventories                   | 12,239              | 33,518              |
| Trade receivables             | 42,123              | 42,540              |
| Other receivables             | 6,952               | 10,531              |
| Cash and cash equivalents     | 76,035              | 44,606              |
| <b>Total assets</b>           | <b>168,281</b>      | <b>165,502</b>      |

## Balance sheet - liabilities

| €000   | <i>Dec 31, 2009</i> | <i>Dec 31, 2008</i> |
|--|---------------------|---------------------|
| <b>Shareholders' equity</b>                          |                     |                     |
| Share capital  | 1,970               | 2,035               |
| Issue and contribution premiums                      | 57,768              | 60,468              |
| Reserves and retained earnings                       | 57,003              | 38,026              |
| Earnings for the period                              | 9,577               | 14,024              |
| Translation gains                                    | 343                 | 383                 |
| <b>Equity attributable to Parrot SA shareholders</b> | <b>126,661</b>      | <b>114,936</b>      |
| <b>Minority interests</b>                            | <b>--</b>           | <b>--</b>           |
| <b>Non-current liabilities</b>                       | <b>5,029</b>        | <b>4,922</b>        |
| Long-term financial debt                             | 0                   | 0                   |
| Pension provisions and related commitments           | 408                 | 506                 |
| Deferred tax liabilities                             | 3,851               | 3,798               |
| Other non-current provisions                         | 770                 | 618                 |
| <b>Current liabilities</b>                           | <b>36,591</b>       | <b>45,643</b>       |
| Short-term financial debt                            | 0                   | 1,172               |
| Derivatives  | 0                   | 0                   |
| Current provisions                                   | 1,041               | 2,429               |
| Trade payables                                       | 24,658              | 31,887              |
| Current tax liability                                | 122                 | 1,655               |
| Other current liabilities                            | 10,770              | 8,501               |
| <b>Total shareholders' equity and liabilities</b>    | <b>168,281</b>      | <b>165,502</b>      |

**Cash-flow statement**

| €000  | Dec 31, 2009  | Dec 31, 2008  |
|---|---------------|---------------|
| <b>Operating cash flow</b>  |               |               |
| Earnings for the period   | 9,577         | 14,024        |
| Depreciation and amortization                                       | 6,042         | 6,948         |
| Capital gains and losses on disposals                               | 0             | 101           |
| Tax charges   | -1,651        | 3,609         |
| Cost of share-based payments  | 1,740         | 2,086         |
| Cost of net financial debt  | -602          | -1,604        |
| Cash flow from operations before tax and cost of net financial debt | 15,106        | 25,164        |
| Change in working capital   | 17,571        | -2,270        |
| Tax paid  | 3,896         | -4,250        |
| <b>Net cash from operating activities (a)</b>                       | <b>36,573</b> | <b>18,644</b> |
| <b>Investing cash flow</b>  |               |               |
| Acquisition of tangible and intangible fixed assets                 | -4,319        | -7,027        |
| Acquisition of subsidiaries, net of cash acquired                   | 0             | -154          |
| Acquisition of long-term financial investments                      | -98           | -20           |
| Disposal of tangible and intangible fixed assets                    | 0             | 1             |
| <b>Cash flow from investment activities (b)</b>                     | <b>-4,417</b> | <b>-7,200</b> |
| <b>Financing cash flow</b>  |               |               |
| Equity contributions  | 124           | 592           |
| Cost of net financial debt  | 602           | 1,604         |
| Repayment of short-term financial debt (net)                        | -1,001        | -1,001        |
| Acquisition of treasury stock                                       | -280          | -7,790        |
| <b>Cash flow from financing activities (c)</b>                      | <b>-555</b>   | <b>-6,596</b> |
| <b>Net change in cash position (d = a+b+c)</b>                      | <b>31,601</b> | <b>4,848</b>  |
| Net exchange rate differences                                       | -172          | 244           |
| <b>Cash and cash equivalents at start of period</b>                 | <b>44,606</b> | <b>39,514</b> |
| <b>Cash and cash equivalents at end of period</b>                   | <b>76,035</b> | <b>44,606</b> |

*End of release***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 (FR0004038263 – PARRO).

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