

2010 FIRST-QUARTER EARNINGS

A good first-quarter for Parrot

Paris, May 12th, 2010 - 5:40 pm
Board of Directors meeting on May 12th, 2010

- **Revenues:** 49.7 million euros, up 27% in relation to the first quarter of 2009.
- **Gross margin:** 48.5%, primarily reflecting the change in the product mix and the impact of the exchange rate (€/US\$) over this quarter.
- **EBIT:** 5.2 million euros, with an operating margin of 10.5%.
- **Net income:** 5.3 million euros, with a net margin of 10.7%.
- **First quarter of 2010** marked by:
 - A clear upturn in business compared with the same period the previous year, driven by strong growth in the OEM offer;
 - A continued increase of sales for the latest generation of retail products: MKi range, Minikit Slim and Zikmu Parrot By Philippe Starck speakers;
 - The ongoing investment of a portion of the cash in US\$ (aiming to cover the net requirement in US\$ over 12 months);
 - The improvement in margin levels, confirming Parrot's ability to maintain its sales prices combined with cautious spending.

Consolidated accounts under IFRS - unaudited (€'000,000)	Q1 2009	Q4 2009	Q1 2010
Revenues	39.1	50.3	49.7
<i>of which, navigation products ⁽¹⁾</i>	<i>1.7</i>	<i>2.6</i>	<i>2.4</i>
Gross operating margin	18.2	24.9	24.1
<i>% of revenues</i>	<i>46.5%</i>	<i>49.4%</i>	<i>48.5%</i>
Income from ordinary operations	0.1	4.8	5.2
<i>% of revenues</i>	<i>0.2%</i>	<i>9.6%</i>	<i>10.5%</i>
EBIT	0.1	4.8	5.2
<i>% of revenues</i>	<i>0.2%</i>	<i>9.6%</i>	<i>10.5%</i>
Net income (Group share)	0.4	5.4	5.3
<i>% of revenues</i>	<i>1.2%</i>	<i>10.8%</i>	<i>10.7%</i>
Net earnings per share (€)	0.03	0.41	⁽²⁾ 0.41
Diluted net earnings per share (€)	0.03	0.41	0.41

⁽¹⁾ Percentage of revenues from navigation products distributed by Parrot Ibéria S.L.

⁽²⁾ Number of shares for calculating net earnings per share (weighted average number of shares outstanding): 12,923,747, and on a diluted basis: 13,076,743.

Consolidated accounts under IFRS - unaudited (€'000,000)	Mar 31, 2009	Dec 31, 2009	Mar 31, 2010
Net cash position (negative net debt)	51.9	76.0	80.8

As Henri Seydoux, Parrot's chairman, chief executive officer and founder, explains: "Parrot has achieved an excellent start to the year in terms of both sales and profitability. The OEM offer is fulfilling its promises, with strong growth, while the breakthrough seen on new retail products is progressively being confirmed. Lastly, the gradual deployment of our development plan for 2010 is enabling us to generate high margins."

Level of business for the first quarter of 2010

Over the period, Parrot recorded 49.7 million euros in revenues, representing an annual increase of 27%; in relation to the fourth quarter of 2009, the Group's sales are stable (-1%), while fourth-quarter sales are traditionally higher. The "retail products" grouping together aftermarket installed systems, Plug & Play products, Parrot By multimedia products and Other products, accounted for 72% of revenues. For its part, the OEM product line generated 28% of revenues.

■ Retail products:

The retail products (35.9 million euros in Q1 2010, compared with 33.8 million euros in Q1 2009) have achieved moderate growth (6.1%). Looking beyond the seasonal phenomenon, the performance over the first quarter of 2009 was supported by the marketing of end-of-life products further to the realignment of the product portfolio (including the phasing out of the CK3200, the first generation Minikit and entry-level Multimedia products). This strategic decision has made it possible to accelerate the penetration of new products, particularly those that are iPhone-compatible and include advanced music features (MKi range). In this way, sales are up 97% for the MKi range and 39% for the Minikit Slim on a year on year basis. Additionally, this aftermarket product growth trend has been maintained in relation to the previous quarter. Over the period, Multimedia product sales reflect the same phenomena: only products from the Parrot By collection contributed towards revenues in the first quarter of 2010. Lastly, the "Other" business (see definition in the note appended on page 4) reflects the effective prudential management of component purchases: anticipating pressures over its sourcing capacity during this recovery period, the Group is setting aside components. When necessary, these components are being sold to subcontractors in China to guarantee the production of finished products.

From a regional perspective:

In the EMEA (Europe, Middle East, Africa) region, revenues (33.8 million euros) are up 4%. The UK, Benelux, Italy and export are making positive contributions towards this growth. In France, excluding the impact of the destocking of end-of-life products, the retail revenues are stable. In Spain and Germany, business was down slightly over the start of the year, but earnings were encouraging at the end of the quarter.

In the US, the level of business (1.5 million euros) is in line with the trend seen during the second half of 2009. The gradual upturn in sales has continued thanks in particular to Parrot's breakthrough in Canada, where laws have been passed restricting in-car mobile phone use.

In Asia (0.6 million euros), the Group is continuing to move forward with the gradual listing of its retail products, focusing on regions where legislation for mobile phone use is currently being deployed, such as New Zealand and Australia. In view of this, a dedicated local team will be set up at the end of the second quarter of 2010.

■ OEM products:

The OEM product line achieved its best quarter ever, generating 13.8 million euros in revenues, with growth coming out at 160% on an annual basis and 70% in relation to the previous quarter. Three main factors explain this performance: (i) the continued ramping up of sales in Asia, (ii) the increase in orders to equip the Hyundai Kia Group's upcoming vehicles in Europe, following on from the contracts already in place in Asia and America, and (iii) to a lesser extent, the upturn in orders for French manufacturers.

Gross margin

For the first quarter of 2010, Parrot recorded a gross margin of 48.5%, with the change in the Group's gross margin resulting from the €/US\$ exchange rate (average US\$ for Q1 2009: 1.31 euros; Q4 2010: 1.48 euros; Q1 2010: 1.38 euros) and the change in the product mix.

In order to limit the possible impact of a lasting drop in the euro against the US dollar on its gross margin, Parrot invested part of its cash in US\$ during the first quarter of 2010. This strategy aims to cover the Group's projected purchases in US\$ for the next 12 months.

EBIT

The level of spending over the quarter, coming in at 18.9 million euros, is in line with the Group's development plan for the first quarter, making it possible to generate 5.2 million euros in EBIT, representing an operating margin of 10.5%. In the first quarter of 2010, spending levels were reduced by -5.8% in relation to the previous quarter. This reduction is in line with the usual seasonal patterns for the business, while in addition, no products were launched over the period.

- R&D spending came to 6.3 million euros, reflecting the gradual increase in R&D investments as planned for the years ahead;
- Sales and marketing spending totaled 7.9 million euros, in line with the end of investments focused on sales following the effort made at the end of the year. In addition there were no new product launches over the period;

- General costs came in at 2.9 million euros, in line with the increase in costs due to the upturn in business;
- Production and quality costs were kept at 1.7 million euros.

At March 31st, 2010, the Group's workforce represented 465 people, compared with 443 at December 31st, 2009 (and 456 at March 31st, 2009).

Net income

Net income (Group share) came to 5.3 million euros, representing 0.41 euros per share for the first quarter of 2010, benefiting from 0.9 million euros in financial income, offset by a 0.8 million euro tax expense.

Financial structure

Parrot is in a sound financial position, with 80.8 million euros in net cash at March 31st, 2010, compared with 76.0 million euros at December 31st, 2009 and 51.9 million euros at March 31st, 2009). Net cash from operating activities totaled 6.5 million euros over the first quarter of 2010. This change is due to cash generated by operations on the one hand (8.8 million euros), and the change in working capital on the other (2.3 million euros). In line with the upturn in business over the period, inventories and trade receivables have increased slightly (respectively 13.8 million euros, compared with 12.2 million euros at December 31st, 2009, and 45.8 million euros, compared with 42.1 million euros at December 31st, 2009).

Parrot does not have any debt and has 133.2 million euros in equity (compared with 126.7 million euros at December 31st, 2009), with 10.3 euros in net assets per share.

Outlook

In view of current conditions and its first-quarter earnings, Parrot is still forecasting moderate growth in its revenues and an improvement in its operational profitability for 2010. The development of the latest generation of retail products is making it possible to gradually ramp up the listing of ranges, while the OEM order book for the rest of the year is trending up. However, it is still unclear how changes in the economic situation will pan out, particularly in Europe.

At this stage, the development plan for 2010 remains unchanged:

- The launches of products linked to in-car phone use are still planned for the second half of 2010 and will at the time lead to an increase in marketing spending;
- The R&D program relating to the development of a new generation Parrot chip, designed for the coming technological developments in terms of mobility, will continue to be gradually stepped up;
- The preparations linked to the launch of the Parrot AR.Drone will continue to move forward, with further information to be released at the end of the second quarter of 2010.

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 most of its sales overseas. Parrot is listed on NYSE Euronext Paris since 2006 (FR0004038263 – PARRO).

For more information: www.parrot.com

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■ BREAKDOWN OF REVENUES BY PRODUCT

% of revenues and €'000,000	Q1 2009	Q1 2010	Q1 2009	Q1 2010	Annual Δ
Installed handsfree systems	65.0%	49.9%	25.4	24.8	-2.4%
Plug & Play products	9.8%	7.5%	3.9	3.7	-3.2%
Parrot By multimedia products	3.3%	1.9%	1.3	1.0	-25.6%
Other ⁽¹⁾	8.3%	12.9%	3.3	6.4	96.5%
Total revenues for retail products	86.5%	72.2%	33.8	35.9	6.1%
Total revenues for OEM products	13.5%	27.8%	5.3	13.8	160.4%
Group total	100.0%	100.0%	39.1	49.7	27.0%

⁽¹⁾ Definition of "Other" revenues: (i) navigation product sales (ii) accessory sales (steering wheel-mounted controls, cables, etc.) (iii) ancillary sales to customers (marketing, delivery, etc.) and (iv) retail product component sales to suppliers.

■ BREAKDOWN OF REVENUES BY REGION

% of revenues and €'000,000	Q1 2009	Q1 2010	Q1 2009	Q1 2010	Annual Δ
EMEA	83.0%	68.0%	32.5	33.8	4.1%
US	3.2%	3.0%	1.3	1.5	18.4%
Asia	0.2%	1.2%	0.1	0.6	723.2%
Retail products total	86.5%	72.2%	33.8	35.9	6.1%
OEM total	13.5%	27.8%	5.3	13.8	160.4%
Group total	100.0%	100.0%	39.1	49.7	27.0%

■ CONDENSED INCOME STATEMENT

Consolidated accounts under IFRS - unaudited (€'000,000)	Q1 2009	Q4 2009	Q1 2010	Annual Δ
Revenues	39.1	50.3	49.7	+27%
<i>of which, navigation products ⁽¹⁾</i>	1.7	2.6	2.4	
Gross operating margin	18.2	24.9	24.1	+32%
<i>% of revenues</i>	46.5%	49.4%	48.5%	+2pts
Research and development costs	-5.6	-7.1	-6.3	+13%
<i>% of revenues</i>	14.3%	14.2%	12.7%	-1.6pts
Sales and marketing costs	-8.6	-8.6	-8.0	-7%
<i>% of revenues</i>	21.9%	17.2%	16.1%	-5.8pts
General costs	-2.1	-2.5	-2.9	+38%
<i>% of revenues</i>	5.4%	4.9%	5.8%	+0.4pts
Production and quality	-1.9	-1.8	-1.7	-11%
<i>% of revenues</i>	4.8%	3.6%	3.3%	-1.5pts
Income from ordinary operations	0.1	4.8	5.2	5.100%
<i>% of revenues</i>	0.2%	9.6%	10.5%	+10.3pts
EBIT	0.1	4.8	5.2	5.100%
<i>% of revenues</i>	0.2%	9.6%	10.5%	+10.3pts
Cost of net financial debt	0.1	0.1	0.1	
Other financial income and expenses	-0.1	0.8	0.8	
Corporate income tax	0.3	-0.2	-0.8	
Net income (Group share)	0.4	5.4	5.3	1.225%
<i>% of revenues</i>	1.2%	10.8%	10.7%	+9.5pts

⁽¹⁾ Percentage of revenues from navigation products distributed by Parrot Ibérica S.L.