

Paris, November 15th, 2010 - 8:00 am CET
Board of Directors meeting on November 10th, 2010

- **Revenues:** 67.8 million euros, up 74.8% in relation to the third quarter of 2009 and up 19.5% compared with the previous quarter.
- **Gross margin:** 48.7%, compared with 46.3% during the third quarter of 2009, reflecting the change in the product mix and the strategy for managing purchases in US\$, cancelling out the foreign exchange impact over the period.
- **EBIT:** 9.8 million euros, with an operating margin of 14.5%.
- **Net income:** 8.3 million euros, with a net margin of 12.3%.
- **Third quarter of 2010 marked by:**
 - Exceptionally high level of the OEM business;
 - Good initial breakthrough by the Parrot AR.Drone;
 - Profitability ratios close to their all-time highs;
 - Deployment of a large R&D recruitment plan.

Consolidated accounts, IFRS, Q3 2010, unaudited (€'000,000)	Q3 2010	Q3 2009	Change	9 months 2010	9 months 2009
Revenues	67.8	38.8	+75%	174.2	118.2
<i>Of which, navigation products⁽¹⁾</i>	2.7	2.5	+8%	8.1	6.0
Gross operating margin	33.0	17.9	+84%	86.9	54.9
<i>% of revenues</i>	48.7%	46.3%		49.9%	46.4%
EBIT	9.8	2.0	+396%	23.2	2.6
<i>% of revenues</i>	14.5%	5.1%		13.3%	2.2%
Net income (Group share)	8.3	1.8	+360%	19.2	4.2
<i>% of revenues</i>	12.3%	4.7%		11.0%	3.5%
Earnings per share.	0.65	0.14		1.49	0.32
Diluted earnings per share	0.64	0.14		1.47	0.32
	Sep 30, 2010	Jun 30, 2010	Sep 30, 2009		
Net cash position (negative net debt)	85.3	85.5	72.8		

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

⁽²⁾ Number of shares for calculating net earnings per share at September 30th, 2010 (weighted average number of shares outstanding): 12,873,717, and on a diluted basis: 13,024,203.

As Henri Seydoux, Parrot's Chairman, Chief Executive officer and Founder, explains: "Parrot has once again achieved an excellent third quarter, particularly with the market share gained on the OEM business and the Parrot AR.Drone's good breakthrough. While consolidating these activities, we are going to focus on the opportunity represented by internet connectivity in the automobile sector. With this in mind, we are currently recruiting large numbers of engineers and plan to make our first products announcements in early 2011. Driven by our return to dynamic growth, we will keep moving forward with our innovation strategy with confidence".

Level of business for the third quarter of 2010

Over the period, Parrot recorded 67.8 million euros in revenues, representing an annual increase of 74.8%; in relation to the second quarter of 2010, the Group's sales are up by 11.1 million euros or 19.5%. The "Retail products" business, grouping together aftermarket installed systems, Plug & Play products, Parrot By multimedia products, the Parrot AR.Drone and Other products, accounted for 55% of revenues. The OEM product line generated 45% of revenues.

■ Retail products

Over the third quarter 2010, Retail products (37.6 million euros in Q3 2010, vs. 30.8 million euros in Q3 2009) have achieved 22% growth on an annual basis and 1% in relation to the previous quarter. Growth over the period is entirely due to the Parrot AR.Drone's first sales, which represented 22% of revenues for the Retail range. Traditional product sales have been negatively affected by an unfavorable basis for comparison linked to the portfolio's realignment and the current product renewal cycle.

Installed handsfree kits are down 4.5% in relation to the third quarter of 2009. The new MKi products have continued to grow (notably iPhone-compatible and including advanced music features, +45% on an annual basis), but this dynamic commercial development has not been enough to make up for the slowdown on older and/or stopped products. The first product announcements on the installed handsfree kit segment are expected for early 2011.

Plug & Play product sales show a sequential contraction of 29% linked to the destocking of the first-generation Minikit in the third quarter of 2009 and the current consolidation of Minikit Slim sales. A new Plug & Play product was launched in October: the Minikit Smart, designed specifically for latest generation smartphones (all operating systems), is able to simultaneously manage phone calls and the navigation applications available on handsets. It incorporates Parrot's advanced handsfree telephony features, as well as a speaker, microphone and a set of connector enabling the smartphones to be recharged.

Sales of Home products, which include sales for the Parrot AR.Drone and products from the Parrot By collection, show an annual increase of 599%. Over the quarter, the Home range represented 13% of Group sales. The Zikmu Parrot By Stark speakers have again achieved growth in sales, while the first marketing phase for the Parrot AR.Drone has gone well. The marketing plan is gradually being rolled out with a view to covering the Christmas period, which remains the main focus of the Group, while the number of points of sale and regions covered is increasing steadily.

From a regional perspective

In the EMEA region (Europe, Middle East, Africa, 48% of total revenues), annual revenue growth came in at 14.1%, up to 32.3 million euros, driven by new product sales. Over the quarter, Spain accounted for only 16% of consolidated revenues (excluding the Parrot AR.Drone, for which sales in Europe are currently centralized in France).

In the USA (5% of total revenues), the level of business growth (2010 third-quarter revenues: 3.4 million euros, vs. 1.5 million euros in Q3 2009) is picking up pace considerably, driven once again by the new products.

In Asia (3% of total revenues, 2010 third-quarter revenues: 1.8 million euros, vs. 1.0 million euros in Q3 2009), the Group is continuing to develop its penetration and all the ranges are performing well.

■ OEM products

The range of OEM solutions generated 30.2 million euros in revenues over the quarter, more than the total amount of revenues recorded for the full year in 2009 (for reference: 26.8 million euros). Four main factors are behind this outstanding performance: (i) the high level of sales which has continued to be achieved with the Asian customers acquired in 2008 and the European customers announced in 2009 (ii) the first revenues recorded on the products designed to equip German brand vehicles, and (iii) the exceptionally high level of orders from French manufacturers. In this way, on this growing market segment, Parrot is seeing the benefits of its market share gains and an accurate management of components' sourcing.

Gross margin

For the third quarter of 2010, Parrot recorded a gross margin of 48.7%, with this positive development (+2.4 pts in relation to Q3 2009) linked to changes in the product mix, with the ramping up of OEM sales and the improvement in profitability for Plug & Play and Home products. The impact of the dollar's rise has been offset by the hedging policy (cash-flow in US\$) put in place since the end of 2009 to cover projected purchases over a trailing 12-month period.

EBIT

The level of spending over the quarter, coming in at 23.2 million euros (compared with 16.0 million euros in Q3 2009), is in line with Parrot's development plan. Spending, offset to a great extent by the increase in revenues, is currently focusing on supporting the deployment of dedicated marketing campaigns for the Parrot AR.Drone's launch, in addition to the R&D programs which are currently being stepped up.

EBIT came to 9.8 million euros, representing an operating margin of 14.5%, with this high level achieved thanks to the exceptionally high level of orders from OEM customers.

- R&D spending came to 7.5 million euros (11.0% of revenues, vs. 5.1 million euros for Q3 2009), in line with the gradual deployment of R&D investments as planned for the coming years;
- Sales and marketing spending totaled 11.2 million euros (16.5% of revenues, vs. 7.0 million euros for Q3 2009), reflecting the ramping up of advertising investments linked to the Parrot AR.Drone's launch and aiming to support performance in terms of sales over the Christmas period;
- General costs came in at 2.7 million euros (4.0% of revenues, vs. 2.1 million euros for Q3 2009), with production and quality-related costs representing 1.9 million euros (2.8% of revenues, vs. 1.8 million euros for Q3 2009), in line with the Group's expectations set against a backdrop of business growth.

At September 30th, 2010, the Group's workforce represented 483 people, compared with 468 at June 30th, 2010. Most of the new positions are linked to the R&D recruitment plan launched at the end of the summer.

Net income

After 0.6 million euros in financial income linked to the foreign exchange impact and a 2.0 million euro tax expense, net income (Group share) comes out at 8.3 million euros, representing 0.65 euros per share for the third quarter of 2010. At September 30th, 2010, the net margin was 11.0%, with 1.49 euros in net earnings per share.

Financial structure

At September 30th, 2010, Parrot posted 85.3 million euros in net cash. Net cash from operating activities totaled 5.2 million euros for the third quarter of 2010. The change in working capital came to 12.9 million euros, in line with the strong growth recorded and the investments made to prepare for sales over the end-of-year period. Cash used for investment activities represented 1.7 million euros over the quarter, reflecting the ongoing R&D program linked to the deployment of the next generations of Parrot products.

At September 30th, 2010, inventories totaled 36.0 million euros (vs. 22.3 million euros at June 30th, 2010), with trade receivables representing 53.3 million euros (vs. 47.8 million euros at June 30th, 2010). This increase aims to cover the end-of-year holiday period and more specifically the first retailer supply phase for the Parrot AR.Drone. Parrot does not have any debt and has 144.6 million euros in equity (vs. 141.2 million euros at June 30th, 2010), with 11.2 euros in net assets per share.

During the third quarter of 2010, Parrot also cancelled 211,376 shares held as treasury stock, representing 1.63% of the capital. Currently, Parrot held 327,323 shares, with 2.5% of its capital in treasury stock. These securities are intended to be distributed to the Group's staff.

Outlook

The Group expects its traditional business lines to stabilize over the end of the year. While installed handsfree system sales do not traditionally benefit from the end-of-year holidays, the launch of the Minikit Smart (Plug & Play), the Parrot AR.Drone and the Parrot By products (Home) are expected to translate into a dynamic rate of commercial development in the retail sector. For its part, the OEM business will continue to see strong annual growth. However, following two exceptional quarters linked to several new contracts starting up simultaneously, combined with a restocking effect, sales are set to stabilize around the average levels achieved in the first half of 2010.

Parrot is focusing on deploying actions aimed at ensuring lasting growth over the coming years:

- Continuing to move forward with innovation: during the fourth quarter, Parrot plans to recruit around 60 new engineers, primarily for its traditional activities. The aim is to create the next generation of Parrot products, which will enable the Group to offer handsfree telephony and multimedia connectivity solutions around the new possibilities opened up by mobile handset internet connectivity.
- Ensuring the Parrot AR.Drone's long-term success: following a first successful marketing phase and a strong order book linked to the end-of-year holidays, the challenge over the medium term is still to create a gaming world. Over the short term, the Parrot AR.Drone will continue with its geographical expansion: Belgium, Switzerland, Japan, Australia and Chile should be receiving their first products during the fourth quarter of 2010.
- Consolidating the OEM business: with three new major customers contributing to its dynamic commercial development in 2010, the Group is achieving significant market share gains. Parrot, while continuing to equip its existing customers, will carry on its commercial development strategy, particularly with the launch in 2011 of a connectivity module developed specifically for a major international manufacturer based out of Japan. The market is continuing to trend up strongly, buoyed by the growing penetration of dedicated connectivity and handsfree telephony solutions for the automotive industry.
- With sales of the latest generation retail products continuing to pick up pace, the Group is continuing to renew its product portfolio. The first innovations should be presented at the 2011 CES in early January.

Financial events

- December 2nd and 3rd, 2010: Parrot will be present at the Berenberg Bank European Conference.
- February 14th, 2011: 2010 full-year earnings.

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 and in 2010 the AR.Drone, the first quadricopter that can be controlled through wifi by an iPhone/iPod Touch/iPad.

Parrot, headquartered in Paris, currently employs over 450 people worldwide and generates most of its sales internationally. Parrot is listed on NYSE Euronext Paris since 2006 (FR0004038263 – PARRO).

For more information: www.parrot.com / www.ardrone.com / www.parrotoem.com

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■ BREAKDOWN OF REVENUES BY PRODUCT

€'000,000 and % of revenues	Q3 2010		Q3 2009		9 months 2010		9 months 2009	
Installed handsfree systems	20.8	30.7%	21.8	56.1%	72.0	41.3%	72.6	61.4%
Plug & Play products	2.1	3.2%	3.0	7.8%	9.2	5.3%	10.9	9.3%
Multimedia products ⁽¹⁾	9.1	13.4%	1.3	3.3%	11.4	6.6%	3.8	3.2%
Other ⁽²⁾	5.6	8.2%	4.7	12.2%	18.1	10.3%	10.9	9.2%
Total revenues for Retail Products	37.6	55.4%	30.8	79.4%	110.7	63.5%	98.2	83.1%
Total revenues for OEM Products	30.2	44.6%	8.0	20.6%	63.5	36.5%	20.0	16.9%
Group total	67.8	100.0%	38.8	100.0%	174.2	100.0%	118.2	100.0%

⁽¹⁾ Multimedia products: Parrot By products and previous "home" products in 2009; Parrot By and Parrot AR.Drone products in 2010

⁽²⁾ 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) components sold to suppliers.

■ BREAKDOWN OF REVENUES BY REGION

€'000,000 and % of revenues	Q3 2010		Q3 2009		9 months 2010		9 months 2009	
EMEA	32.3	47.7%	28.3	73.1%	100.3	57.6%	92.8	78.5%
US	3.4	5.0%	1.5	3.8%	6.9	4.0%	4.1	3.5%
Asia	1.8	2.7%	1.0	2.5%	3.4	1.9%	1.2	1.1%
Total revenues for Retail Products	37.6	55.4%	30.8	79.4%	110.7	63.5%	98.2	83.1%
Total revenues for OEM Products	30.2	44.6%	8.0	20.6%	63.5	36.5%	20.0	16.9%
Group total	67.8	100.0%	38.8	100.0%	174.2	100.0%	118.2	100.0%

■ CONDENSED INCOME STATEMENT

Consolidated accounts, IFRS, €'000,000 (Q3 2010, unaudited)	Q3 2010	Q3 2009	9 months 2010	9 months 2009
Revenues	67.8	38.8	174.2	118.2
<i>Of which, navigation products ⁽¹⁾</i>	2.7	2.5	8.1	6.0
Gross operating margin	33.0	17.9	86.9	54.9
<i>% of revenues</i>	48.7%	46.3%	49.9%	46.4%
Research and development costs	-7.5	-5.1	-21.6	-16.7
<i>% of revenues</i>	-11.0%	-13.2%	-12.4%	-14.1%
Sales and marketing costs	-11.2	-7.0	-28.6	-23.4
<i>% of revenues</i>	-16.5%	-18.0%	-16.4%	-19.8%
General costs	-2.7	-2.1	-8.0	-6.7
<i>% of revenues</i>	-4.0%	-5.5%	-4.6%	-5.6%
Production and quality	-1.9	-1.8	-5.5	-5.6
<i>% of revenues</i>	-2.8%	-4.5%	-3.1%	-4.7%
Income from ordinary operations	9.8	2.0	23.2	2.6
<i>% of revenues</i>	14.5%	5.1%	13.3%	2.2%
EBIT	9.8	2.0	23.2	2.6
<i>% of revenues</i>	14.5%	5.1%	13.3%	2.2%
Cost of net financial debt	0.1	0.1	0.4	0.5
Other financial income and expenses	0.5	-0.4	-0.6	-0.8
Share in income from equity affiliates	-0.1	0.0	-0.5	0.0
Corporate income tax	-2.0	0.1	-3.2	1.9
Net income (Group share)	8.3	1.8	19.2	4.2
<i>% of revenues</i>	12.3%	4.7%	11.0%	3.5%

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