

2011 FIRST-QUARTER EARNINGS

Further development of OEM business

Paris, May 13th, 2011 - 8:00 am CET
Board of Directors meeting on May 12th, 2011

- **Revenues:** 57.4 million euros, up 16% in relation to the first quarter of 2010.
- **Gross margin:** 51.4%, up 2.9 points thanks to the impact of a favorable product mix.
- **EBIT:** 8.3 million euros (+59%), with an operating margin of 14.5%.
- **Net income:** 6.3 million euros (+18%), with a net margin of 11.0%.
- **First quarter of 2011** marked by:
 - Over 2.7 million product units sold;
 - Level of retail product sales in line with the Group's expectations;
 - Continued growth in the OEM business;
 - Operational profitability boosted by the seasonal trend for marketing spending;
- **Recent news:**
 - Parrot is acquiring Varioptic, a technological component in the optics sector, adding to its portfolio of signal processing solutions by incorporating advanced image processing technologies (see press release published separately on May 13th, 2011).

Consolidated accounts under IFRS – Q1 2011 unaudited (€'000,000)	Q1 2010	Q4 2010	Q1 2011	Annual change
REVENUES	49.7	67.4	57.4	+16%
<i>Of which, navigation products⁽¹⁾</i>	2.3	2.4	0.9	
GROSS MARGIN	24.1	33.3	29.5	+22%
<i>% of revenues</i>	48.5%	49.4%	51.4%	
EBIT	5.2	8.5	8.3	+59%
<i>% of revenues</i>	10.5%	12.5%	14.5%	
EARNINGS FOR THE PERIOD - attributable to Parrot S.A. shareholders	5.3	8.6	6.3	+18%
<i>% of revenues</i>	10.7%	12.8%	11.0%	+2%
Earnings per share⁽²⁾	0.41	0.67	0.49	+19%
<i>Diluted earnings per share⁽³⁾</i>	0.41	0.63	0.47	+16%
Net cash and cash equivalents (negative net debt)	80.8	90.8	96.4	+19%

(1) (2) (3): see notes appended.

As Henri Seydoux, Parrot's chairman, Chief executive officer and founder of Parrot, explains: "During this first quarter the launch of the Parrot Minikit Smart and the Parrot Asteroid were carried out internationally and the growth of the OEM business has been solid. We will continue in this direction in the 2nd quarter and intensify our marketing efforts to support the breakthrough of the new products and position the Parrot AR.Drone on the front of the stage in light of a summer season ideal for this new type of outdoor videogame.

We are also acquiring a technological component to incorporate programmable miniature optics solutions with autofocus, stabilization and zoom applications. Combined with Parrot's specific signal processing expertise, these image processing technologies will enable us to create value on our existing products, as well as develop new applications in the mobility world."

Level of business for the first quarter of 2011

Over the period, Parrot recorded 57.4 million euros in revenues, an annual increase of 16%. Revenues came in 10 million euros lower than the fourth quarter of 2010 as a result of the favorable seasonal trend benefiting sales over the end of the year. Retail Products (grouping together aftermarket installed systems, Plug & Play products, Multimedia products, as well as Other products) accounted for 56% of the Group revenues, compared with 72% in the first quarter of 2010. The OEM business represented 44% of the Group revenues, compared with 28% for the first quarter of 2010.

■ Retail revenues

Over the first quarter of 2011, the Retail Products revenues, coming in at 32.2 million euros, recorded an annual contraction of 10%. Excluding the impact of the end of navigation product distribution in Spain, announced in the fourth quarter of 2010, Retail Product revenues decrease of 7%.

Revenues from Retail Automotive products, installed handsfree kits (36% of Group revenues / 65% of Retail revenues) and Plug & Play (5% of Group revenues / 8% of Retail revenues), are down 18% in relation to the first quarter of 2010. The downturn in consumption in Spain (VAT hike and the end of subsidies for the automotive sector since summer 2010) has weighed on the Retail Automotive products. In addition, the internet enabled car radio, Parrot Asteroid, has been on sale since the end of April 2011 and did not contribute to revenues over the first quarter. The Minikit Smart, launched at the end of 2010, gradually ramped up during the quarter and marketing campaigns are scheduled to start in late May 2011.

Revenues from Retail Multimedia products (10% of Group revenues / 19% of Retail revenues) are up 524%, driven by Parrot AR.Drone sales, first released in stores during the third quarter of 2010.

Other revenues (5% of Group revenues, versus 13% in Q1 2010) no longer include sales of third-party products - essentially navigation products, historically distributed by Parrot Iberia S.L. At the end of March 2011, Other revenues exclusively involve the sale of accessories and items or components designed to support the manufacturing and marketing of Parrot products.

From a regional perspective

For the EMEA region (49% of Group revenues / 87% of Retail revenues), Retail revenues totaled 32.2 million euros. As indicated above, the economic situation in Spain (15% of Group revenues, compared with 26% in Q1 2010) is weighing on the Group's commercial development. At the same time, the gradual phasing out over the period of the distribution of third-party products, generating low margins and sold exclusively in Spain, is reflected in an unfavorable basis for comparison. Restated from these factors, the EMEA region's annual growth comes out at 7% for the period.

In North America (3% of Group revenues / 6% of Retail revenues), revenues are up 23% propped up by the success of the Parrot AR.Drone. In this region where the legislation on cellphone usage while driving is primarily focused on prohibiting sending text messages, Parrot has co-developed an interactive service called "TextFriendly™" currently being tested in several states.

In Asia (4% of Group revenues / 7% of Retail revenues), the Group is continuing to develop its commercial penetration and all the ranges are performing well.

■ OEM revenues

The range of OEM solutions generated 25.3 million euros in revenues over the quarter, an increase of 83% compared with the first quarter of 2010. In line with the Group's expectations, revenues reflect (i) the full impact of sales of solutions designed to equip German manufacturers, (ii) the increase in the equipment rate linked to the growing penetration rate for in-car connectivity solutions, and (iii) the gradual expansion of the ranges of equipped vehicles among existing customers.

Gross margin

For the first quarter of 2011, Parrot's gross margin came to 51.4%, with this 2.9 pt increase reflecting the favorable change in the product mix, and more specifically: (i) growth in the percentage of OEM activities in the Group's revenues, (ii) the fact that third-party products are no longer distributed, (iii) the ramping up of Multimedia products.

For reference, the Group's gross margin is no longer exposed to variations in the dollar thanks to its currency hedging policy (cash converted in US\$) and the ramping up of revenues denominated in US\$, making it possible to cover virtually all of the Group's purchases denominated in this same currency.

EBIT^(*)

Over the first quarter, EBIT came to 8.3 million euros, giving an operating margin of 14.5%. In relation to the first quarter of 2010, EBIT is up 59% in view of the following:

- R&D spending, coming in at 7.0 million euros (12.2% of revenues), factors in the positive impact of the research tax credit for 0.9 million euros and is in line with the Group's innovation strategy focused on developing new internet connected services et solutions specifically geared towards drivers;
- Sales and marketing spending totaled 9.1 million euros (15.8% of revenues), reflecting the moderate level of marketing investments over the period;
- General costs came in at 3.0 million euros (5.3% of revenues), with production and quality-related costs representing 2.1 million euros (3.6% of revenues), in line with the change in the Group's requirements over the period.

At March 31st, 2011, Parrot's workforce totaled 552 people, compared with 519 at December 31st, 2010. The majority of the new positions are linked to the R&D recruitment plan rolled out since H2 2010.

Net income

After a 1.6 million euro tax expense, net income (Group share) came to 6.3 million euros, representing 0.49 euros per share for the first quarter of 2011.

Financial structure

At March 31st, 2011, Parrot had 96.4 million euros in cash, compared with 90.8 million euros at December 31st, 2010. Net cash from operating activities represents 10.0 million euros. The 0.4 million euro change in working capital is consistent with business returning to normal levels following the fourth quarter's seasonal peak.

Cash used for investment activities represented 1.7 million euros for the quarter, in line with the ongoing R&D program linked to the gradual deployment of the next generations of Parrot products.

During the first quarter of 2011, Parrot also continued buying back treasury stock, for a total of 3.0 million euros over the period.

At March 31st, 2011, inventories represented 24.8 million euros, in keeping with the level of business for the quarter. Trade receivables totaled 45.6 million euros. Parrot does not have any debt and has 154.0 million euros in equity (compared with 152.1 million euros at December 31st, 2010), with 12.0 euros in net assets per share.

Recent developments and outlook

Over the second quarter of 2011, Parrot notably intends to step up its marketing investments in order to support the penetration of new automotive products (Parrot Minikit Smart, Parrot Asteroid) and give itself the means to benefit from a positive summer season for sales of the Parrot AR.Drone, its Wifi-controlled quadricopter which is ideal for use outside.

In view of the events in Japan, Parrot is continuing to carry out ongoing assessments on its sources of supplies in order to protect itself against any possible consequences for its business. Within this framework, the Group is more specifically ramping up its component storage strategy. In terms of its automotive customers, the Group has not seen any orders being put back by its OEM customers to date.

The development plan announced previously for 2011 aims to enable the Group to continue growing, while moving forward with its retail communications strategy. More specifically, Parrot expects the year to be marked by:

- Growth in the OEM business, made possible by (i) a favorable basis for comparison due to the new customers brought on board, primarily during the second half of 2010, (ii) an increase in the equipment rate linked to the expected improvement in the penetration rate for in-car connectivity solutions, (iii) the gradual expansion of the vehicle ranges equipped among existing customers, (iv) the first orders for major new customers around mid-2011;
- The gradual stabilization of automotive product sales, in light of (i) the acceleration in the product renewal rate, (ii) the ramping up of marketing efforts, (iii) the unpredictable economic situation in certain regions, and particularly in Spain;
- Ongoing moves to ramp up the Home business, with: (i) the third phase in the deployment of the Parrot AR.Drone targeting new distributors and countries, (ii) the launch of innovative products and the maintenance of R&D investments in this area.

Lastly, Parrot is continuing to focus on its long-term growth and maintaining its technological lead, drawing on a strong innovation strategy. In this way, Parrot aims to support the penetration of its product ranges, while opening up to new professional (OEM) and retail markets.

Next financial dates

- May 18th-19th: SmallCap Event, London
- May 31st: annual general meeting of Parrot's shareholders
- July 29th: 2011 second-quarter earnings

(*) R&D costs for 2010 do not include income from the research tax credit.

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 Parrot AR.Drone, the first quadricopter using augmented reality and piloted by Wi-Fi.

Parrot, headquartered in Paris, currently employs more than 550 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 / www.ardrone.com / www.parrotoem.com

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APPENDICES - Financials at March 31st, 2011

■ BREAKDOWN OF REVENUES BY PRODUCT

€'000,000 and% of revenues	Q1 2010		Q4 2010		Q1 2011	
Installed handsfree systems	24.8	50%	23.8	35%	20.8	36%
Plug & play products	3.7	7%	5.4	8%	2.7	5%
Multimedia products ⁽¹⁾	1.0	2%	16.6	25%	5.1	10%
Other ⁽²⁾	6.4	13%	3.9	6%	2.8	5%
Total revenues for Retail Products	35.9	72%	49.7	74%	32.2	56%
Total revenues for OEM Products	13.8	28%	17.8	26%	25.3	44%
Group total	49.7	100%	67.4	100%	57.4	100%

(1) Multimedia products: Parrot By products and Parrot AR.Drone.

(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) component sales to suppliers. In early 2011, Parrot stopped selling navigation products.

■ BREAKDOWN OF REVENUES BY REGION

€'000,000 and% of revenues	Q1 2010		Q4 2010		Q1 2011	
EMEA (Europe, Middle East, Africa)	33.8	68%	38.0	56%	28.1	49%
US	1.5	3%	9.2	14%	1.8	3%
Asia	0.6	1%	2.5	4%	2.2	4%
Total revenues for Retail Products	35.9	72%	49.7	74%	32.2	56%
Total revenues for OEM Products	13.8	28%	17.8	26%	25.3	44%
Group total	49.7	100%	67.4	100%	57.4	100%

■ CONDENSED INCOME STATEMENT

Consolidated accounts under IFRS - unaudited (€'000,000)	Q1 2010	Q4 2010	Q1 2011	Annual change
REVENUES	49.7	67.4	57.4	16%
Of which, navigation products ⁽¹⁾	2.3	2.4	0.9	
Cost of sales	-25.6	-34.1	-27.9	9%
GROSS MARGIN	24.1	33.3	29.5	22%
<i>% of revenues</i>	48.5%	49.4%	51.4%	
Research and development costs	-6.3	-7.1	-7.0	11%
<i>% of revenues</i>	-12.7%	-10.5%	-12.2%	
Sales and marketing costs	-8.0	-12.6	-9.1	14%
<i>% of revenues</i>	-16.1%	-18.7%	-15.8%	
General costs	-2.9	-2.8	-3.0	5%
<i>% of revenues</i>	-5.8%	-4.1%	-5.3%	
Production and quality	-1.7	-2.4	-2.1	25%
<i>% of revenues</i>	-3.3%	-3.6%	-3.6%	
INCOME FROM ORDINARY OPERATIONS	5.2	8.5	8.3	59%
EBIT	5.2	8.5	8.3	59%
<i>% of revenues</i>	10.5%	12.5%	14.5%	
Cost of net financial debt	0.1	0.1	0.1	-40%
Other financial income and expenses	0.8	0.1	-0.5	-162%
Share in income from equity affiliates	0.0	-0.5	0.0	-
Corporate income tax	-0.8	0.4	-1.6	101%
EARNINGS FOR THE PERIOD - Attributable to Parrot S.A. shareholders	5.3	8.6	6.3	18%
<i>% of revenues</i>	10.7%	12.8%	11.0%	2%
Earnings per share⁽²⁾	0.41	0.67	0.49	19%
Diluted earnings per share ⁽³⁾	0.41	0.63	0.47	16%

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

(2) The average number of ordinary shares outstanding represents a weighted average over the period, adjusted for the number of ordinary shares redeemed or issued during the period and calculated based on the issue date for shares over the year (12,881,718).

(3) The weighted average number of shares outstanding, factored in when calculating earnings per share, is adjusted for the effects of all potentially dilutive ordinary shares (13,267,090).
