

## 2012 FIRST-QUARTER EARNINGS

Paris, May 10th, 2012- 6:00 pm CET  
Board of Directors meeting on May 10th, 2012

- **Revenues:** 64.4 million euros, up 12% in relation to the first quarter of 2011.
- **Gross margin:** 53.9%, up 2.5 points thanks to the impact of a favorable product mix.
- **EBIT:** 8.1 million euros, with an operating margin of 12.6%, confirming the Group's ability to maintain its overall financial balance while rolling out a major investment program.
- **Net income:** 5.0 million euros, with a net margin of 7.7%, reflecting the impact of unrealized capital losses on the US dollar.
- **First quarter of 2012** marked by:
  - Over 3.6 million product units sold;
  - Six Retail products, focused primarily on automotive infotainment and multimedia, presented at the 2012 CES event;
  - Strong growth in the OEM business (+56%);
  - Good level of pre-orders for the Parrot AR.Drone 2;
  - Integration of the acquisitions made in 2011, while maintaining a strong level of operational profitability.

Consolidated accounts <sup>(1)</sup> , IFRS - unaudited for Q1 2012 (€'000,000)	Q1 2011	Q1 2012	Annual change
<b>REVENUES</b>	<b>57.4</b>	<b>64.4</b>	<b>+12%</b>
<i>Of which, navigation products <sup>(2)</sup></i>	<i>0.9</i>	<i>0.0</i>	<i>NA</i>
<b>PARROT REVENUES</b> (excluding navigation products)	<b>56.5</b>	<b>64.4</b>	<b>+14%</b>
<b>GROSS MARGIN</b>	<b>29.5</b>	<b>34.7</b>	<b>+18%</b>
<i>% of revenues</i>	<i>51.4%</i>	<i>53.9%</i>	
<b>INCOME FROM ORDINARY OPERATIONS</b>	<b>8.3</b>	<b>8.1</b>	<b>-3%</b>
<i>% of revenues</i>	<i>14.5%</i>	<i>12.5%</i>	
<b>EBIT</b>	<b>8.3</b>	<b>8.1</b>	<b>-2%</b>
<i>% of revenues</i>	<i>14.5%</i>	<i>12.6%</i>	
<b>EARNINGS FOR THE PERIOD - Attributable to Parrot S.A. shareholders</b>	<b>6.3</b>	<b>5.0</b>	<b>-21%</b>
<i>% of revenues</i>	<i>11.0%</i>	<i>7.7%</i>	
<b>Earnings per share <sup>(3)</sup></b>	<b>0.49</b>	<b>0.39</b>	<b>-21%</b>
Diluted earnings per share <sup>(3)</sup>	0.47	0.37	-23%
<b>Net cash and cash equivalents (negative net debt)</b>	<b>96.4</b>	<b>93.5</b>	<b>-3%</b>
<b>Cash, cash equivalents and other current financial assets</b>	<b>96.4</b>	<b>122.3</b>	<b>+4%</b>

(1) Consolidation for Q1 2012 and Q4 2011 includes DiBcom and Varioptic (acquisitions made in 2011, merger effective at December 31, 2011).

(2) Percentage of revenues from navigation products distributed by Parrot Iberia S.L. - in 2011, Parrot stopped selling these products.

(3) Number of shares for calculating net earnings per share at December 31, 2012 (weighted average number of shares outstanding): 12,898,633, and on a diluted basis: 13,554,130.

### Level of business for the first quarter of 2012

Over the period, Parrot's revenues totaled 64.4 million euros, with an annual growth of 12%. Retail Products (grouping together aftermarket installed systems, Plug & Play, Multimedia and "Other" products) represented 39% of the Group's revenues (versus 56% in Q1 2011). The OEM business generated 61% of the Group's revenues (versus 44% in Q1 2011).

On a comparable basis (excluding acquisitions), revenues climbed 6% compared with the same period the previous year to reach 61.1 million euros for the first quarter of 2012. Compared with the fourth quarter of 2011, the change in revenues (-7.2 million euros) is linked to the positive seasonality for sales during the holiday season and the end of Parrot AR.Drone 1 sales during the first quarter of 2012.

## ■ Retail revenues

In the first quarter of 2012, Retail products generated 25.0 million euros in revenues, compared with 32.2 million euros for the first quarter of 2011. This contraction is primarily linked to the end of the Parrot AR.Drone 1 sales, while the Parrot AR.Drone 2 was announced at the start of January 2012.

Revenues from Retail Automotive products, installed handsfree kits (27% of Group revenues / 70% of Retail revenues) and Plug & Play (5% of Group revenues / 14% of Retail revenues) are down 11% in relation to the first quarter of 2011. As in the previous quarters, the contraction in sales is slowing down; three new installed handsfree kit products are expected to be released during the second half of 2012, with a positive impact on revenues. Plug & Play sales, buoyed by the products launched in 2011, are up 27%.

Retail Multimedia product revenues came to 2.4 million euros (4% of Group revenues / 10% of Retail revenues), compared with 5.9 million euros for the first quarter of 2011. After the Parrot AR.Drone 1 phases out, the Parrot AR.Drone 2 will be available at a price of 299 euros (incl. VAT) from mid-May 2012 in France, then rolled out internationally over the following weeks. In view of the actual level of pre-orders, this model looks set to have at least the same success as the previous one.

### From a regional perspective

In the EMEA region (32% of Group revenues / 82% of Retail revenues), Retail revenues came to 20.5 million euros, compared with 28.1 million euros for the first quarter of 2011. The commercial development is slowed down by the decline in the general retail activity levels linked to the economic environment, particularly in Spain (6% of Group revenues / 16% of Retail revenues) and the UK (4% of Group revenues / 10% of Retail revenues), as well as the increase in the penetration rate of OEM-equipped vehicles.

In North America (3% of Group revenues / 9% of Retail revenues), revenues are up 17% in relation to the first quarter of 2011, driven by the increase in automotive product sales. More specifically, this growth reflects the strategic actions aimed at further strengthening the distribution network and optimizing Parrot's Certified Installers Program.

In Asia (4% of Group revenues / 9% of Retail revenues), revenues rose 3% compared with the first quarter of 2011, with a temporary slowdown in growth during the period following the end of Parrot AR.Drone 1 sales.

## ■ OEM revenues

The range of OEM solutions generated 39.4 million euros in revenues over the quarter, an increase of 56% compared with the first quarter of 2011. At constant exchange rates, and excluding the contribution made by acquisitions, the OEM business is up 37%.

The dynamic commercial development achieved during the first quarter of 2012 was driven primarily by:

- The high level of orders booked by a new customer during start-up phase,
- Exceptional sales opportunities made possible by the effective management of component sourcing in an environment temporarily affected by the flooding in Thailand,
- The increase in the equipment rate linked to the growing penetration rate for in-car connectivity solutions,
- The gradual expansion of the vehicle ranges equipped among existing customers.

## Gross margin

For the first quarter of 2012, Parrot's gross margin came to 53.9%, with this 2.5 point annual 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 various Retail products have reached maturity, pending the upcoming launches.

## EBIT

Over the first quarter, EBIT came to 8.1 million euros, giving a current operating margin of 12.6%. The Group's main financial balances have been maintained while integrating the various acquisitions and ramping up the R&D program relating to Parrot's development on the infotainment market.

During the first quarter, operating expenses totaled 26.6 million euros, some 1.3 million euros lower than the previous quarter, in line with the seasonality of marketing expenses and up 5.4 million euros compared with the first quarter of 2011. The changes in the main cost items were in line with the Group's expectations:

- R&D spending came to 9.1 million euros (14.1% of revenues), an annual increase of 23% (+5% versus Q4 2011), factoring in the full impact of technological investments: integration of new areas of expertise through acquisitions in the sector for digital radio / television and digital image processing, as well as the major efforts made by Parrot to design a complete platform for in-car internet connectivity and infotainment. At March 31st, 2012, R&D teams made up 51% of the Group's total workforce.

- Sales and marketing costs came to 11.5 million euros (17.8% of revenues), giving an annual increase of 21% (-5% versus Q4 2011), linked to the promotion of Parrot's products at the 2012 CES event and the integration of sales teams from the companies acquired in 2011;
- General costs totaled 3.8 million euros (5.9% of revenues), with production and quality-related costs representing 2.3 million euros (3.5% of revenues), in line with the Group's requirements over the period.

At March 31st, 2012, the Group's workforce represented 705 people, compared with 694 at December 31st, 2011.

## Net income

Financial income and expenses include 2.2 million euros in exchange-rate differences linked to unrealized capital losses (euro's depreciation against the US dollar during the first quarter of 2012). Investment income, net of the cost of debt, contributed 0.4 million euros, while the tax expense came to 1.3 million euros for the period. On March 2nd, 2012, Parrot also obtained approval from the French tax authorities (*Direction générale des finances publiques*) to carry forward a total loss of 67 million euros after merging the companies acquired in 2011.

In this way, net income (Group share) represents 5.0 million euros, with 0.39 euros per share for the first quarter of 2012.

## Financial structure

At March 31st, 2012, Parrot had 93.5 million euros in net cash, compared with 86.6 million euros at December 31st, 2011. Net cash from operating activities represents 10.4 million euros. The 1.3 million euro change in working capital is consistent with business returning to normal levels following the fourth quarter's seasonal peak, in addition to the Group's orderly management.

Cash used for investment activities represented 3.6 million euros for the quarter, primarily linked to the capitalization of R&D costs, in line with the deployment of common technologies shared by the next generations of Parrot products.

At March 31st, 2012, inventories came to a total of 23.1 million euros (versus 22.3 million euros at December 31st, 2011), in line with the current level of business and preparations for the forthcoming product launches. Trade receivables represent 49.0 million euros (versus 55.8 million euros at December 31st, 2011), with 34.2 million euros in trade payables (versus 36.3 million euros at December 31st, 2011).

The Group's shareholders' equity represents 181.6 million euros (compared with 176.8 million euros at December 31st, 2011), with 14.1 euros in net assets per share.

During the first quarter of 2012, Parrot also cancelled 200,000 treasury shares, offsetting the dilution linked to stock options issued during the previous year.

## Outlook

Parrot is moving forward with its development plan as previously announced (cf. press release from February 15th, 2012). Focused on continued smartphone developments and connectivity, the Group's priorities are as follows:

- Developing on the infotainment market, drawing on its long-established expertise and the major resources deployed for designing modular and strong value-added solutions, as well as its legitimacy in the automotive industry;
- Designing emblematic multimedia products, vehicles for Parrot's image and growth,
- Looking into innovative new technologies centered around connectivity and mobility in order to capitalize on opportunities for expansion on both Retail and Professional markets.

In the short term, business over the second quarter of 2012 will be marked by:

- The finalization and pre-launch stages for the five new Retail products, scheduled to hit the shelves in summer and autumn 2012.
- Continued investments to drive R&D forward and ramp up operations linked to the temporary use of variable external resources with a view to finalizing the products planned for release during the year;
- The launch of the Parrot AR.Drone 2, with an encouraging level of pre-orders, supported by the increase in marketing spending;
- The maintenance of a strong level of OEM business, although the rate of growth will be penalized by the comparison with the second quarter of 2011, when sales were exceptionally high;

With a sound financial position and complementary R&D resources, Parrot is continuing to focus on its strategy for innovation in order to serve long-term growth across all its product ranges, built around effective operational management.

## Next financial dates

- June 6th, 2012: annual general meeting of Parrot's shareholders
- July 26th, 2012: 2012 second-quarter 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. Its globally recognized expertise in the fields of mobile connectivity and multimedia around Smartphones has positioned Parrot as a key player of in-car infotainment. Additionally, Parrot designs and markets an exclusive 'Parrot by' range, consisting of a prestigious line of high-end wireless multimedia products in collaboration with some of the world's most well-renowned artists; and the AR.Drone, the first quadricopter piloted via wi-fi and using augmented reality.

Parrot, headquartered in Paris, currently employs more than 700 people worldwide and generates the majority of its sales overseas. Parrot is listed on NYSE Euronext Paris since 2006. (FR0004038263 – PARRO)

For more information: [www.parrot.com](http://www.parrot.com) / [www.ardrone.com](http://www.ardrone.com) / [www.parrotoem.com](http://www.parrotoem.com)

## CONTACTS

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# APPENDICES - Financials at March 31st, 2012

## ■ BREAKDOWN OF REVENUES BY PRODUCT

€'000,000 and % of revenues	Q1 2011		Q4 2011		Q1 2012	
Installed handsfree systems	20.8	36%	21.4	30%	17.5	27%
Plug & Play products	2.7	5%	3.6	5%	3.4	5%
Multimedia products <sup>(1)</sup>	6.0	10%	12.1	17%	2.4	4%
Other <sup>(2)</sup>	2.8	5%	1.4	2%	1.7	3%
<b>Total revenues for Retail Products</b>	<b>32.2</b>	<b>56%</b>	<b>38.5</b>	<b>54%</b>	<b>25.0</b>	<b>39%</b>
<b>Total revenues for OEM Products</b>	<b>25.3</b>	<b>44%</b>	<b>33.1</b>	<b>46%</b>	<b>39.4</b>	<b>61%</b>
<b>Group total</b>	<b>57.4</b>	<b>100%</b>	<b>71.7</b>	<b>100%</b>	<b>64.4</b>	<b>100%</b>

<sup>(1)</sup> Multimedia products: Parrot By products and Parrot AR.Drone.

<sup>(2)</sup> 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 2011		Q4 2011		Q1 2012	
EMEA (Europe, Middle East, Africa)	28.1	49%	28.6	40%	20.5	32%
US	1.8	3%	6.4	9%	2.1	3%
Asia	2.2	4%	3.5	5%	2.3	4%
<b>Total revenues for Retail Products</b>	<b>32.2</b>	<b>56%</b>	<b>38.5</b>	<b>54%</b>	<b>25.0</b>	<b>39%</b>
<b>Total revenues for OEM Products</b>	<b>25.3</b>	<b>44%</b>	<b>33.1</b>	<b>46%</b>	<b>39.4</b>	<b>61%</b>
<b>Group total</b>	<b>57.4</b>	<b>100%</b>	<b>71.7</b>	<b>100%</b>	<b>64.4</b>	<b>100%</b>

## ■ CONDENSED INCOME STATEMENT

Consolidated accounts - IFRS (€'000,000) <sup>(1)</sup>	Q1 2011	Q4 2011	Q1 2012 <sup>(2)</sup>
<b>REVENUES</b>	<b>57.4</b>	<b>71.7</b>	<b>64.4</b>
<i>Of which, navigation products <sup>(3)</sup></i>	<i>0.9</i>	<i>0.0</i>	<i>0.0</i>
<b>GROSS MARGIN</b>	<b>29.5</b>	<b>38.5</b>	<b>34.7</b>
<i>% of revenues</i>	<i>51.4%</i>	<i>53.7%</i>	<i>53.9%</i>
Research and development costs	-7.0	-8.6	-9.1
<i>% of revenues</i>	<i>-12.2 %</i>	<i>12.0%</i>	<i>14.1%</i>
Sales and marketing costs	-9.1	-12.1	-11.5
<i>% of revenues</i>	<i>-15.8%</i>	<i>16.9%</i>	<i>17.8%</i>
General costs	-3.0	-4.4	-3.8
<i>% of revenues</i>	<i>-5.3%</i>	<i>6.2%</i>	<i>5.9%</i>
Production and quality	-2.1	-2.8	-2.3
<i>% of revenues</i>	<i>-3.6%</i>	<i>3.9%</i>	<i>3.5%</i>
<b>INCOME FROM ORDINARY OPERATIONS</b>	<b>8.3</b>	<b>10.6</b>	<b>8.1</b>
<i>% of revenues</i>	<i>14.5%</i>	<i>14.7%</i>	<i>12.5%</i>
<b>EBIT</b>	<b>8.3</b>	<b>9.3</b>	<b>8.1</b>
<i>% of revenues</i>	<i>14.5%</i>	<i>13.0%</i>	<i>12.6%</i>
Cost of net financial debt	0.1	0.2	0.4
Other financial income and expenses	-0.5	1.0	-2.2
Share in income from equity affiliates	0.0	0.05	0.0
Corporate income tax	-1.6	0.3	-1.3
<b>NET INCOME (GROUP SHARE)</b>	<b>6.3</b>	<b>11.0</b>	<b>5.0</b>
<i>% of revenues</i>	<i>11.0%</i>	<i>15.3%</i>	<i>7.7%</i>

(1) The acquisitions made in 2011 are only included in the accounts for Q4 2011 and Q1 2012.

(2) First quarter of 2012 not audited.

(3) Percentage of revenues from navigation products distributed by Parrot Iberia S.L. - in early 2011, Parrot stopped selling these products.

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