

2012 second-quarter earnings

Good performance of OEM activities

Excellent commercial launch of the Parrot AR.Drone 2

Deployment on the market for civil drones in professional environments

Continued development of infotainment technologies

EBIT margin: 11.8% - Net margin: 13.1%

Audited consolidated accounts - IFRS (€M).	Q2 2011	Q2 2012	Change	H1 2011	H1 2012	Change
Revenues	64.0	70.7	+10%	121.5	135.1	+11%
Gross operating margin	34.0	34.8	+3%	63.5	69.5	+10%
<i>% of revenues</i>	53.1%	49.3%		52.3%	51.5%	
Income from ordinary operations	7.8	8.7	+11%	16.1	16.7	+4%
<i>% of revenues</i>	12.2%	12.3%		13.3%	12.4%	
EBIT	7.2	8.3	+15%	15.5	16.5	+6%
<i>% of revenues</i>	11.3%	11.8%		12.8%	12.2%	
Net income (Group share)	5.8	9.3	+60%	12.1	14.2	+18%
<i>% of revenues</i>	9.0%	13.1%		9.9%	10.5%	
Earnings per share	0.45	0.73	+62%	0.94	1.12	+18%
Diluted earnings per share	0.43	0.70		0.91	1.07	
Net cash				97.6	94.4	-3%

2012 second-quarter business

Over the period, Parrot recorded 70.7 million euros in consolidated revenues, representing an annual increase of 10%; in relation to the first quarter of 2012, the Group's sales are up 6.2 million euros or 10%. The Group sold more than four million products.

The OEM business accounted for 58% of the Group's revenues (versus 47% in Q2 2011). The Retail Products business, grouping together aftermarket installed systems, Plug & Play, Multimedia and "Other" products, represented 42% of the Group's revenues (versus 53% in Q2 2011).

During the second quarter of 2012, Parrot notably focused on the commercial launch of two Multimedia products. The **Parrot AR.Drone 2**, gradually rolled out worldwide from April, has been very well received, with close to 55,000 products distributed over the quarter. The wireless handsfree kit and audio headset **Parrot Zik By Philippe Starck** has proven very popular during its first phase for exclusive distribution at a selection of high-end points of sale, while moves to extend the sales network are underway.

Alongside this, major **R&D efforts** have continued to move forward, covering the development of the next-generation Parrot chip, in-vehicle infotainment solutions and innovation in related fields with strong potential. More specifically, the Parrot 7 chip includes a latest-generation dual processor and extended audio and video features, delivering power levels eight times higher than the previous generation. Above all, it offers the benefit of meeting the specific economic and technological needs of all Parrot products. Combined with the dedicated proprietary software solutions for infotainment, based on the Android operating system and offering extended mobile connectivity, Parrot's modules will offer a complete solution for the integration of multimedia features in vehicles.

Lastly, in July 2012, Parrot has entered the **market of ultralight civil drones in commercial environments** with the acquisition of a majority stake in the company senseFly, combined with a project to acquire a

minority interest in the firm Pix4D. Looking at the rapid emergence of a new age of aerial imaging, the complementary areas of technological expertise developed by Parrot, senseFly and Pix4D offer innovative solutions to meet the requirements (surveillance, mapping, marketing) of a growing professional market (agriculture, environment, real estate, industry, etc.). (See the press releases published today and available on the Parrot internet site under Company, Investor Relations).

➤ OEM products

2.5 million products, primarily modules for dedicated smartphone multimedia connectivity solutions, were sold to around 30 customers worldwide, making it possible to generate 41.3 million euros in revenues over the quarter, coming in 37% higher than the second quarter of 2011.

On a comparable basis and at constant exchange rates, Parrot recorded an annual increase in revenues of 8%, representing a sound level of business in view of the strong sales seen during the second quarter of 2011. This growth reflects the ramping up of new contracts, the dynamic development and quality of the customer base, as well as the continued orders from one customer over this quarter, exceeding the contractual estimates.

On the infotainment market, Parrot has continued to move forward and will be launching three complete in-vehicle infotainment platforms in 2013, working with various industrial players. Based on Parrot's Asteroid range, and prior to setting up commercial relationships, these R&D partnerships confirm the validity of the Group's strategy on this growing market, which has benefited from major R&D resources since 2010.

➤ Retail products

In the second quarter of 2012, Retail products generated 29.4 million euros in revenues, compared with 33.9 million euros for the second quarter of 2011. The annual contraction (-13%) is primarily due to the economic downturn in certain eurozone countries. Compared with the first quarter of 2012, the increase (+17%) reflects the Parrot AR.Drone 2's outstanding performance over the period.

Revenues from Retail Automotive products, installed handsfree kits (20% of Group revenues / 47% of Retail revenues) and Plug & Play products (3% of Group revenues / 6% of Retail revenues) show a significant drop in certain regions (Spain -61%, Europe export -38%), while sales are stable in France and progressing in Italy, Germany, Asia and the US. Four new Retail Automotive products are expected to be released during the second half of 2012, with a positive impact on revenues, while ongoing moves to adapt the structure of subsidiaries to their level of business will not call into question their financial balance.

Retail Multimedia product revenues came to 12.0 million euros, compared with 2.4 million euros for the first quarter of 2012 and 7.2 million euros for the second quarter of 2011, buoyed by the Parrot AR.Drone 2's success, particularly in France, the US and Asia.

Alongside this, Parrot is focusing on optimizing its distribution network. For instance, the online sale of automotive products, initially launched in the US, is gradually being rolled out in Europe. In France, a point of sale will be opening in Paris this summer, with three goals: testing out a direct sales strategy, developing relations with end customers and contributing towards the visibility of all Parrot products.

Gross margin

For the second quarter of 2012, Parrot's gross margin came to 49.3%, with this temporary contraction primarily linked to the product launches and the change in the dollar, partially offset by the continued increase in sales of OEM solutions. Traditionally, the level of gross margins on products gradually increases over the quarters following their launch.

Income from ordinary operations / EBIT

In the second quarter, income from ordinary operations came to 8.7 million euros, giving a current operating margin of 12.3%. The Group's spending is focused on investments relating to its development on the infotainment market, as well as its expansion on related high-potential markets and product launches, highlighting its capacity for innovation and supporting its growth.

During the second quarter of this year, current operating expenses totaled 26.2 million euros, some 0.4 million euros lower than the previous quarter and stable in relation to the second quarter of 2011. The changes in the main cost items were in line with the Group's expectations:

- R&D spending came to 10.0 million euros (14.1% of revenues), an annual increase of 45.7% (+9% versus Q1 2012). As planned, Parrot is continuing to ramp up the resources set aside for R&D, focusing in priority on three areas:
 - Designing a complete proprietary in-vehicle infotainment platform named Asteroid, enabling access to useful multimedia and online services for drivers.

- Temporarily increasing external R&D expenses with a view to finalizing the Retail infotainment products from the Asteroid range planned for release during the second half of 2012.
- The Group's expansion on related high-potential markets, such as connectivity and multimedia outside of the automotive sector, as well as civil drones for commercial environments.
- Sales and marketing spending, coming in at 10.0 million euros (14.2% of revenues), shows an annual decrease of 28% (-12% versus Q1 2012), consistent with the seasonal trends for marketing spending and product launches.
- General costs totaled 3.4 million euros (4.8% of revenues), with production and quality-related costs representing 2.7 million euros (3.9% of revenues), in line with the change in the Group's requirements over the period.

At June 30th, 2012, the Group's workforce represented 727 people, compared with 705 at March 31st, 2012. R&D teams make up over 50% of the workforce, with more than 60 external providers currently meeting temporary technological needs.

Net income

Financial income and expenses include 2.8 million euros in exchange rate gains (unrealized gain on the euro's appreciation against the US dollar over the second quarter of 2012, as announced in Q1 2012). Investment income, net of the cost of debt, contributed 0.2 million euros, while the quarter's tax expense came to 3.0 million euros, giving a rate of around 18%, in line with the Group's expectations following the integration of the acquisitions made in 2011.

In this way, net income (Group share) totaled 9.3 million euros for the second quarter of 2012, representing 0.79 euros per share, with a net margin of 13.1%.

Cash flow and balance sheet at June 30th, 2012

At June 30th, 2012, Parrot had 94.4 million euros in net cash, compared with 83.5 million euros at December 31st, 2011. Net cash from operating activities came to 15.5 million euros over the half-year period, and largely covers the € 8.4 million of investments, mostly on R&D, in line with the advancement of common technologies shared by the next generations of Parrot products (Parrot 7 chip and infotainment platform).

Following the general meeting on June 6th, 2012, Parrot has resumed its share buyback program in accordance with its objectives to (i) award bonus shares and stock options representing up to 2% of its capital per year in connection with employee loyalty programs and (ii) offset the dilution resulting from stock options being issued through the cancelation of shares.

At June 30th, 2012, inventories totaled 31.6 million euros (versus 22.3 million euros at December 31st, 2011), in line with the current level of business and the product launches underway or planned. Trade receivables represent 53.2 million euros (versus 55.8 million euros at December 31st, 2011), with 39.5 million euros in trade payables (versus 36.3 million euros at December 31st, 2011). The working capital ratios are consistent with their usual level.

The Group's shareholders' equity represents 193.5 million euros (versus 176.8 million euros at December 31st, 2011), with 15.2 euros in net assets per share.

Outlook

Parrot brought the first half of 2012 to a close with 135.1 million euros in revenues, up 11%, in line with its development plan for FY 2012.

For the third quarter, Parrot is forecasting:

- Continued growth in its OEM activities, which will also benefit from a favorable base effect.
- The commercial launch of the Parrot ZIK (multimedia) and Minikit NEO (Plug & Play), as well as a good performance in terms of Parrot AR.DRONE 2 sales, supporting the dynamic commercial development of Retail activities.
- The finalization stages preceding the launch of three new Retail infotainment products for the Asteroid platform. With advanced handsfree telephony features and a range of internet-connected content and services, as well as navigation features, they illustrate Parrot's technological know-how, while further strengthening the company's position as a pivotal player for in-vehicle infotainment and voice recognition solutions.
- The accounting integration of senseFly, the ultralight civil drone specialist for commercial environments, will not affect the Group's main financial balances. The cost of the operation represents 4.2 million euros, for 57% of the capital, and covers financing requirements until operations break even in 2013.

With a sound financial position, additional R&D resources and a strategy for expansion on new related markets (infotainment, retail and commercial civil drones, multimedia), Parrot is continuing to focus on innovation in order to serve long-term growth, built around healthy and effective operational management.

Financial diary

- Early August: release of the 2012 half-year financial report.
- September 21st, 2012: CA Cheuvreux's 2012 Autumn Conference (Paris).
- September 24th & 25th, 2012: Large and Mid Cap Event (Paris).
- November 16th, 2012: 2012 third-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 a prestigious line of high-end wireless multimedia products in collaboration with some of the world's most well-renowned designers. Finally, Parrot is expanding on the UAV market with the Parrot AR.Drone, the first quadricopter piloted via wi-fi and using augmented reality and also with new solutions to address the UAV market for professional use.

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 / www.ar drone.com / www.parrotoem.com

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APPENDICES

➤ Breakdown of revenues by product

Audited consolidated accounts – IFRS (€M and % of revenues)	Q2 2011		Q2 2012		H1 2011		H1 2012	
Installed handsfree systems	22.2	35%	13.8	20%	43.0	35%	31.3	23%
Plug & Play products	2.5	4%	1.9	3%	5.1	4%	5.3	4%
Multimedia products ⁽¹⁾	7.2	11%	12.0	17%	13.2	11%	14.4	11%
Other ⁽²⁾	2.0	3%	1.7	2%	4.8	4%	3.4	3%
Total Retail Product revenues	33.9	53%	29.4	42%	66.1	54%	54.4	40%
Total OEM Product revenues	30.1	47%	41.3	58%	55.4	46%	80.7	60%
Group total	64.0	100%	70.7	100%	121.5	100%	135.1	100%

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

(2) "Other": (i) accessory sales (steering wheel-mounted controls, cables, etc.), (ii) ancillary sales to customers (marketing, delivery, etc.), and (iii) component sales to suppliers.

➤ Breakdown of revenues by region

Audited consolidated accounts - IFRS (€M and % of revenues)	Q2 2011		Q2 2012		H1 2011		H1 2012	
EMEA	27.6	43%	21.3	30%	55.7	46%	41.8	31%
United States	4.0	6%	5.4	8%	5.8	5%	7.6	6%
Asia	2.3	4%	2.6	4%	4.6	4%	5.0	4%
Total Retail Product revenues	33.9	53%	29.4	42%	66.1	54%	54.4	40%
Total OEM Product revenues	30.1	47%	41.3	58%	55.4	46%	80.7	60%
Group total	64.0	100%	70.7	100%	121.5	100%	135.1	100%

➤ Condensed income statement

Audited consolidated accounts - IFRS (€M).	Q2 2011	Q2 2012	H1 2011	H1 2012
Revenues	64.0	70.7	121.5	135.1
Gross operating margin	34.0	34.8	63.5	69.5
<i>% of revenues</i>	53.1%	49.3%	52.3%	51.5%
Research and development costs	-6.8	-10.0	-13.8	-19.1
<i>% of revenues</i>	10.7%	14.1%	11.4%	14.1%
Sales and marketing costs	-14.0	-10.0	-23.1	-21.5
<i>% of revenues</i>	21.9%	14.2%	19.0%	15.9%
General costs	-3.2	-3.4	-6.3	-7.2
<i>% of revenues</i>	5.0%	4.8%	5.2%	5.3%
Production and quality costs	-2.0	-2.7	-4.1	-5.0
<i>% of revenues</i>	3.2%	3.9%	3.4%	3.7%
Income from ordinary operations	7.8	8.7	16.1	16.7
<i>% of revenues</i>	12.2%	12.3%	13.3%	12.4%
EBIT	7.2	8.3	15.5	16.4
<i>% of revenues</i>	11.3%	11.8%	12.8%	12.2%
Cost of net financial debt	0.3	-0.2	0.4	0.2
Other financial income and expenses	-0.08	2.9	-0.6	0.7
Share in income from equity affiliates	-0.01	-0.1	-0.04	-0.1
Corporate income tax	-1.7	-1.7	-3.3	-3.0
Net income (Group share)	5.8	9.3	12.1	14.2
<i>% of revenues</i>	9.0%	13.1%	9.9%	10.5%

➤ Consolidated balance sheet

Audited consolidated accounts - IFRS (€M).	Jun 30, 2011	Dec 31, 2011	Jun 30, 2012
Non-current assets	41.4	73.8	74.5
Goodwill	20.7	44.7	39.7
Other intangible fixed assets	11.2	18.9	22.1
Tangible fixed assets	5.0	7.6	8.5
Financial assets	0.5	0.7	0.8
Interests in equity affiliates	-	-	-
Deferred tax assets	3.9	1.7	3.4
Current assets	185.1	207.3	222.3
Inventories	24.9	22.3	31.6
Trade receivables	49.9	55.8	53.2
Other receivables	8.6	11.9	15.0
Other current financial assets	23.5	33.9	37.0
Cash and cash equivalents	78.3	83.5	85.5
TOTAL ASSETS	226.5	281.1	296.8

Audited consolidated accounts - IFRS (€M).	Jun 30, 2011	Dec 31, 2011	Jun 30, 2012
Shareholders' equity			
Share capital	2.0	2.0	1.9
Issue and contribution premiums	57.7	57.5	53.0
Reserves excluding earnings for the period	90.0	87.1	123.1
Earnings for the period - Group share	12.1	28.7	14.2
Exchange gains or losses	-2.5	1.5	1.3
Equity attributable to Parrot SA shareholders	159.3	176.8	193.5
Minority interests			
Non-current liabilities	6.6	29.8	25.2
Non-current financial liabilities	3.8	24.5	21.9
Pension provisions and related commitments	0.7	1.0	1.2
Deferred tax liabilities	0.8	2.9	0.4
Other non-current provisions	1.3	1.5	1.8
Other non-current liabilities			
Current liabilities	60.6	74.5	78.1
Current financial liabilities	0.3	6.2	6.2
Current provisions	8.9	12.6	12.6
Trade payables	35.1	36.3	39.5
Current tax liability	2.9	1.4	2.1
Other current liabilities	13.3	17.9	17.6
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	226.5	281.1	296.8

↗ Cash-flow statement

Audited consolidated accounts - IFRS (€M).	Jun 30, 2011	Dec 31, 2011	Jun 30, 2012
CASH FLOW FROM OPERATIONS			
Earnings for the period	12.1	28.7	14.2
Share in income from equity affiliates	0.04	0.2	0.1
Depreciation and amortization	4.5	9.1	4.6
Tax charges	3.3	5.2	3.0
Cost of share-based payments	1.1	2.6	2.0
Cost of net financial debt	-0.4	-0.9	-0.2
Cash flow from operations before tax and cost of net fin. debt	20.6	44.9	23.8
Change in working capital	-0.2	-4.0	-8.4
Tax paid	0.4	-2.3	0.1
Net cash from operating activities (a)	20.7	38.6	15.5
CASH FLOW FROM INVESTMENTS			
Acquisition of tangible and intangible fixed assets	-4.4	-8.6	-8.3
Acquisition of subsidiaries, net of cash acquired	-0.3	-26.3	-
Acquisition of long-term financial investments	0.03	-0.4	-0.1
Disposal of long-term financial investments	-	0.1	-
Cash flow from investment activities (b)	-4.6	-35.2	-8.3
FINANCING CASH FLOW			
Equity contributions	0.2	0.3	0.1
Proceeds from new borrowings	-	29.5	-
Cash invested for over 3 months	4.5	-5.9	-3.1
Cost of net financial debt	0.4	0.9	0.2
Exchange hedging instruments	-0.7	-0.1	-0.3
Repayment of short-term financial debt (net)	-0.2	-1.6	-
Repayment of other debt	-	-	-3.0
Acquisition and sale of treasury stock	-3.3	-7.2	0.1
Cash flow from financing activities (c)	0.9	16.0	-6.0
Net change in cash position (d = a+b+c)	17.0	19.4	1.2
Net exchange rate differences	-1.5	1.2	0.8
Cash and cash equivalents at period-start	62.8	62.8	83.5
Cash and cash equivalents at period-end	78.3	83.5	85.5
Other current financial assets (OCF)	23.5	33.9	37.0
Cash, cash equivalents and OCF at period-end	101.8	117.4	122.5
