

## 2012 third-quarter earnings

**Strong OEM growth maintained (+48%)**

**New growth in the Retail business (+19%)**

**Launch of Retail in-car infotainment products (Parrot Asteroid)**

**Continuing strategy for expansion and innovation**

Consolidated accounts <sup>(1)</sup> IFRS (€M)	Q3 2011	Q3 2012	Change	9 months 2011	9 months 2012	Change
<b>Revenues</b>	<b>54.5</b>	<b>72.4</b>	<b>+33%</b>	<b>176.0</b>	<b>207.5</b>	<b>+18%</b>
<b>Gross operating margin</b>	<b>29.7</b>	<b>35.2</b>	<b>+18%</b>	<b>93.2</b>	<b>104.8</b>	<b>+12%</b>
<i>% of revenues</i>	<i>54.5%</i>	<i>48.6%</i>		<i>53.0%</i>	<i>50.5%</i>	
<b>Income from ordinary operations</b>	<b>8.3</b>	<b>8.3</b>	<b>0%</b>	<b>24.4</b>	<b>25.0</b>	<b>+2%</b>
<i>% of revenues</i>	<i>15.2%</i>	<i>11.5%</i>		<i>13.9%</i>	<i>12.1%</i>	
<b>EBIT</b>	<b>7.7</b>	<b>8.2</b>	<b>+7%</b>	<b>23.2</b>	<b>24.7</b>	<b>+6%</b>
<i>% of revenues</i>	<i>14.1%</i>	<i>11.4%</i>		<i>13.2%</i>	<i>11.9%</i>	
<b>Net income (Group share)</b>	<b>5.7</b>	<b>5.7</b>	<b>0%</b>	<b>17.8</b>	<b>19.9</b>	<b>+12%</b>
<i>% of revenues</i>	<i>10.4%</i>	<i>7.8%</i>		<i>10.1%</i>	<i>9.6%</i>	
<b>Earnings per share</b>	<b>0.44</b>	<b>0.44</b>	<b>0%</b>	<b>1.38</b>	<b>1.56</b>	<b>+13%</b>
Diluted earnings per share	0.44	0.42	<b>0%</b>	1.34	1.50	+11%
<b>Net debt</b>				<b>-90.8</b>	<b>-89.1</b>	<b>-2%</b>

(1) Parrot 2012 consolidated accounts include DiBcom and Varioptic but do not include senseFly and Pix4D.

### 2012 third-quarter business

Over the period, Parrot recorded 72.4 million euros in consolidated revenues, representing an annual increase of 33%; in relation to the second quarter of 2012, the Group's sales are up 1.7 million euros or 2%. Revenues, which traditionally slows down during the third quarter, has benefited this year from growth in the OEM activities and the success of the new Retail products. The Group has sold more than 3.4 million products over this quarter.

The OEM business accounted for 53% of the Group's revenues (compared with 48% in Q3 2011). The Retail Products business, grouping together aftermarket installed systems, Plug & Play, Multimedia and "Other" products, represented 47% of the Group's revenues (versus 52% in Q3 2011).

In the third quarter of 2012, Parrot clearly confirmed the continued success of Parrot AR.Drone 2 (+60,000 units sold, compared with 32,000 in Q3 2011), while benefiting from the first sales of the **Parrot ZIK By Philippe Starck** wireless handsfree kit and audio headset. In addition, the Group has presented three new products focused on the Retail in-car infotainment sector (**Parrot ASTEROID**), the first stage in its development on this market which is expected to see strong growth from 2014.

With internet connectivity (3G and 4G) and advanced handsfree features, the Parrot Asteroid products are adapting smartphone uses for the in-car environment, while enabling the intelligent digitalization of vehicles. Parrot's infotainment solutions, currently unique on the market, incorporate navigation, geolocation, music, internet and digital radio in one single device, along with a series of driver assistance services which are constantly updated thanks to their internet connection: location and price of gas, location and availability of parking facilities, warnings about dangerous driving areas, traffic updates, etc. The in-car infotainment market represents a major growth opportunity for the Group, which expects to see an increase in the value of solutions and rapid penetration in the automotive industry, driven by the next generation of 4G mobile networks, which will provide quicker and cheaper data access. The Group will draw on its longstanding technological expertise, while continuing to move forward with a strong R&D investment policy, to build a connectivity solutions platform and content library. A genuine systems integrator, Parrot is positioning itself to

lead the way forward on this market for innovation, looking to validate the relevance through its Retail approach. Alongside this, the Group aims to meet the expectations of auto manufacturers for their next generations of connected digital vehicles and is already working to develop infotainment solutions with five automotive industry operators, with the first release dates scheduled for the end of 2013.

### ➤ OEM products

3.1 million products, primarily dedicated multimedia connectivity modules for in-car mobile phone use, were sold to approximately 30 customers worldwide, generating 38.4 million euros in revenues over the quarter, 48% higher than the third quarter of 2011, which had been held back by orders being postponed.

On a comparable basis and at constant exchange rates, the OEM business recorded an annual increase in its revenues of 20%. This growth reflects the 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 several complete in-car 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, funded primarily by the customers themselves, confirm the validity of the Group's strategy on this growing market.

### ➤ Retail products

During the third quarter of 2012, revenues from Retail products rose 19% to 34.0 million euros, compared with 28.6 million euros for the third quarter of 2011. This was achieved thanks to the success of the new Multimedia products (Parrot AR.Drone 2, Parrot Zik) and the virtual stabilization of Plug & Play automotive product sales (Parrot Minikit Neo). The strategy for growth through innovation is thus making up for the contraction in sales of previous generation automotive products (Parrot CK, Parrot Mki), pending the breakthrough by the new generation (Parrot Asteroid) presented to the professionals and media from October 2012.

Revenues from Retail Automotive products, installed handsfree kits (18% of Group revenues / 38% of Retail revenues) and Plug & Play (3% of Group revenues / 7% of Retail revenues) are almost stable (-3%) compared with the previous quarter.

Retail Multimedia product revenues came to 17.0 million euros, compared with 12.0 million euros for the second quarter of 2012 and 6.5 million euros for the third quarter of 2011, buoyed by the continued demand for the Parrot AR.Drone 2 and Parrot Zik.

From a geographical perspective, the regions that have been most affected by the economic environment are still difficult (Spain: 3% of Group revenues; Europe Export: 9% of Group revenues). On the other hand, sales for the period show double-digit growth in France (7% of Group revenues), the UK (5% of Group revenues), Germany (4% of Group revenues), Asia (7% of Group revenues) and the US (11% of Group revenues).

## Gross margin

For the third quarter of 2012, Parrot posted a gross margin of 48.6%, in line with the level for the previous quarter. The annual contraction is consistent with the Group's expectations during a product launch period and offset to a certain extent 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 third quarter, income from ordinary operations came to 8.3 million euros, giving a current operating margin of 11.5%. The Group's spending is focused on the development of infotainment solutions, as well as its expansion on related high-potential markets and product launches, highlighting its capacity for innovation and supporting its growth.

During the third quarter of this year, current operating expenditure totaled 26.9 million euros, up 0.7 million euros in relation to the previous quarter. The changes in the main cost items reflect:

- R&D spending is up to 9.2 million euros (12.7% of revenues), an annual increase of 26%. The resources set aside for R&D are focused 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. In connection with the various developments underway with five industrial operators, the costs involved with these projects are partially covered by the customers themselves, which represents a new situation for Parrot and also confirms the appeal of the Group's technological approach.
  - Parrot'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 11.3 million euros (15.7% of revenues), shows an annual increase of 26% (+13% versus Q2 2012), consistent with the seasonal trends for marketing spending and product launches over the period (Parrot Zik, Parrot Asteroid).
- General costs totaled 3.5 million euros (4.9% of revenues), with production and quality-related costs representing 2.8 million euros (3.9% of revenues), in line with the Group's requirements over the period.

At September 30, 2012, the Group's workforce represented 765 people, compared with 727 at June 30, 2012. R&D teams make up over 50% of the workforce, with more than 72 external providers currently meeting temporary technological needs.

## Net income

Financial income and expenses include a non-cash exchange loss of -1.0 million euros (unrealized capital loss linked to the euro's fall against the US dollar over the period). Investment income, net of the cost of debt, contributed 0.2 million euros, while the quarter's tax expense came to 1.7 million euros, giving a rate of around 23% for the quarter.

In this way, net income (Group share) totaled 5.7 million euros for the third quarter of 2012, representing 0.44 euros per share, with a net margin of 7.8%. For the first nine months of the year, earnings per share came to 1.56 euros, compared with 1.38 euros for the same period in 2011.

## Cash flow and balance sheet at September 30, 2012

At September 30, 2012, Parrot had 89.1 million euros in net cash, compared with 94.4 million euros at June 30, 2012. Net cash from operating activities represented 4.2 million euros for the quarter (19.2 million euros over nine months). Investing cash flow came to 6.6 million euros, notably focused on R&D, in line with the deployment of common technologies shared by the next generations of Parrot products.

Parrot has continued moving forward with its share buyback program (2.1 million euros over the quarter) in accordance with its objectives to (i) award bonus shares and stock options representing around 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 September 30, 2012, inventories came to a total of 41.5 million euros (versus 31.6 million euros at June 30, 2012), in line with the current level of business, the product launches underway, the seasonal trends linked to end-of-year sales and the increase in stocks of strategic components. Trade receivables represent 48.8 million euros (versus 53.2 million euros at June 30, 2012), with 40.8 million euros in trade payables (versus 39.5 million euros at June 30, 2012). The working capital ratios are consistent with their usual levels.

The Group's shareholders' equity represents 197.5 million euros (versus 193.5 million euros at June 30, 2012), with 15.5 euros in net assets per share.

## Outlook

The excellent commercial dynamics for the OEM and Retail lines during the third quarter of 2012 enabled the Group to achieve 207.5 million euros in revenues for the first nine months of the year, up by 31.5 million euros or +18% compared with the same period in 2011. In line with the Group's objectives, the growth achieved is financing the strategy for expansion and innovation on the infotainment market: EBIT for the first nine months of this year climbed to 25 million euros, compared with 24.4 million euros for the same period in 2011.

For the fourth quarter of 2012, Parrot expects to see:

- OEM activities stabilizing, linked to the strong performance recorded during the first three quarters;
- A second consecutive quarter of growth in Retail business, driven by the continued success of the Parrot AR.Drone 2 and Parrot Zik;
- A seasonal acceleration in marketing spending aimed at supporting the penetration of the Asteroid range and the visibility of Multimedia products during the end-of-year holiday period;
- A continued and sustained rate of R&D investments, in line with the strategy focused on (i) creating a complete in-car infotainment platform, (ii) ramping up activities outside of the automotive sector, and (iii) expanding on related markets with strong potential;
- A low level of cash generation over the period, linked to the seasonal trends for working capital and the continuation of the share buyback program.

Parrot is finalizing its development plan for 2013 based on the following assumptions:

- A stabilization of **Key Account activities** (grouping together the automotive activities for manufacturers and their OEM suppliers, as well as trade activities resulting from acquisitions in the

digital optics, radio and television sectors, in addition to commercial drones), pending the sales of automotive infotainment solutions from 2014;

- An upturn in growth for **Retail activities** (grouping together automotive and multimedia products intended for Retail sectors) thanks to the success of the new multimedia products and the initial sales of Retail infotainment products (Parrot Asteroid);
- Continued investments linked to the finalization of its infotainment platform for auto manufacturers and their OEM suppliers, with the first design wins from 2013, an increase in the value of solutions and an acceleration in digitalization for new vehicles from 2014.
- Continued innovations outside of the automotive sector, illustrated by the new Retail products presented at the Consumer Electronics Show (CES) in early 2013.

In this way, Parrot intends to continue rolling out its strategy for expansion and innovation, preparing for acceleration in its growth linked to the adoption of new technologies (arrival of 4G, vehicle digitalization, infotainment, bluetooth low energy, consumer and professional drones), without calling the Group's main management balances into question.

As the mobile telephony ecosystem continues to expand, significantly accelerated by the technological capabilities offered by smartphones, the Group has essential assets (technological expertise, recognized capacity for innovation, long-term vision) to make a significant contribution towards the development of new commercial and retail uses and platforms.

## Financial diary

- November 19, 2012: Investor and analyst presentation in Paris.
- January 8 – 11, 2013: 2013 CES (Las Vegas, USA)
- January 10 – 11, 2013: Oddo MidCap Forum (Lyon, France)
- February 21, 2013: 2012 fourth-quarter earnings

## ABOUT PARROT

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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 quadcopter 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](http://www.parrot.com) / [www.ar drone.com](http://www.ar drone.com) / [www.parrotoem.com](http://www.parrotoem.com)

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# APPENDICES

Parrot 2012 consolidated accounts include DiBcom and Varioptic and do not include senseFly and Pix4D.

## ➤ Breakdown of revenues by product

Consolidated accounts - IFRS (€M and % of revenues)	Q3 2011		Q3 2012		9 months 2011		9 months 2012	
	€M	%	€M	%	€M	%	€M	%
Installed handsfree systems	18.3	33%	12.8	18%	61.2	35%	44.1	21%
Plug & Play products	2.5	5%	2.4	3%	7.6	4%	7.7	4%
Multimedia products <sup>(1)</sup>	6.6	12%	17.0	24%	19.8	11%	31.5	15%
Other <sup>(2)</sup>	1.3	2%	1.7	2%	6.0	3%	5.1	2%
<b>Total revenues for Retail Products</b>	<b>28.6</b>	<b>52%</b>	<b>34.0</b>	<b>47%</b>	<b>94.7</b>	<b>54%</b>	<b>88.3</b>	<b>43%</b>
<b>Total revenues for OEM Products</b>	<b>25.9</b>	<b>48%</b>	<b>38.4</b>	<b>53%</b>	<b>81.3</b>	<b>46%</b>	<b>119.2</b>	<b>57%</b>
<b>Group total</b>	<b>54.5</b>	<b>100%</b>	<b>72.4</b>	<b>100%</b>	<b>176.0</b>	<b>100%</b>	<b>207.5</b>	<b>100%</b>

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

(2) "Other": primarily component sales to suppliers, ancillary sales to customers (marketing, delivery, etc.).

## ➤ Breakdown of revenues by region

Consolidated accounts - IFRS (€M and % of revenues)	Q3 2011		Q3 2012		9 months 2011		9 months 2012	
	€M	%	€M	%	€M	%	€M	%
EMEA	22.0	40%	20.9	29%	77.7	44%	62.7	30%
North America	3.3	6%	7.9	11%	9.1	5%	15.5	7%
Asia	3.3	6%	5.1	7%	7.9	4%	10.1	5%
<b>Total revenues for Retail Products</b>	<b>28.6</b>	<b>52%</b>	<b>34.0</b>	<b>47%</b>	<b>94.7</b>	<b>54%</b>	<b>88.3</b>	<b>43%</b>
<b>Total revenues for OEM Products</b>	<b>25.9</b>	<b>48%</b>	<b>38.4</b>	<b>53%</b>	<b>81.3</b>	<b>46%</b>	<b>119.2</b>	<b>57%</b>
<b>Group total</b>	<b>54.5</b>	<b>100%</b>	<b>72.4</b>	<b>100%</b>	<b>176.0</b>	<b>100%</b>	<b>207.5</b>	<b>100%</b>

## ➤ Condensed income statement

Consolidated accounts - IFRS (€M)	Q3 2011	Q3 2012	9 months 2011	9 months 2012
<b>Revenues</b>	<b>54.5</b>	<b>72.4</b>	<b>176.0</b>	<b>207.5</b>
<b>Gross operating margin</b>	<b>29.7</b>	<b>35.2</b>	<b>93.2</b>	<b>104.8</b>
<i>% of revenues</i>	55%	49%	53%	50%
<b>Research and development costs</b>	<b>7.2</b>	<b>9.2</b>	<b>21.0</b>	<b>28.3</b>
<i>% of revenues</i>	13%	13%	12%	14%
<b>Sales and marketing costs</b>	<b>9.0</b>	<b>11.3</b>	<b>32.1</b>	<b>32.9</b>
<i>% of revenues</i>	16%	16%	18%	16%
<b>General and administrative costs</b>	<b>3.2</b>	<b>3.5</b>	<b>9.5</b>	<b>10.7</b>
<i>% of revenues</i>	6%	5%	5%	5%
<b>Production and quality costs</b>	<b>2.1</b>	<b>2.8</b>	<b>6.2</b>	<b>7.9</b>
<i>% of revenues</i>	4%	4%	4%	4%
<b>Income from ordinary operations</b>	<b>8.3</b>	<b>8.3</b>	<b>24.4</b>	<b>25.0</b>
<i>% of revenues</i>	15%	11%	14%	12%
<b>EBIT</b>	<b>7.7</b>	<b>8.2</b>	<b>23.2</b>	<b>24.7</b>
<i>% of revenues</i>	14%	11%	13%	12%
Cost of net financial debt	0.3	0.2	0.7	0.4
Other financial income and expenses	0.2	-1.0	-0.3	-0.3
Share in income from equity affiliates	-0.2	0.0	-0.2	-0.1
Corporate income tax	-2.3	-1.8	-5.6	-4.8
<b>Net income (Group share)</b>	<b>5.7</b>	<b>5.7</b>	<b>17.8</b>	<b>19.9</b>
<i>% of revenues</i>	10%	8%	10%	10%

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