Parrot

PRESS RELEASE
Paris, February 21st, 2013 – 7:30am
Board of Directors meeting on February 20th, 2013

2012 fourth-quarter earnings

Goal to stabilize the Retail business achieved
Success of Multimedia products in Q4 (Parrot Zik, Parrot AR.Drone)
2013: transition towards infotainment
Ongoing strategy for expansion and innovation

Consolidated accounts (1) IFRS (€ M)	Q4 2011	Q4 2012	Change	FY 2011	FY 2012	Change
Revenues	71.7	**73.0**	**2%**	247.7	**280.5**	**+13%**
Gross operating margin	38.5	38.1	**-1%**	131.7	142.9	**+8%**
% of revenues	53.7%	52.2%		53.2%	50.9%	
Income from ordinary operations	10.6	6.8	**-36%**	35.0	31.8	**-9%**
% of revenues	14.7%	9.3%		14.1%	11.3%	
EBIT	9.3	6.8	**-27%**	32.5	31.5	**-3%**
% of revenues	13.0%	9.3%		13.1%	11.2%	
Net income (Group share)	10.9	4.4	**-60%**	28.7	24.3	**-15%**
% of revenues	15.3%	6.0%		11.6%	8.7%	
Earnings per share	0.85	0.34	**-60%**	2.23	1.91	**-14%**
Diluted earnings per share	0.81	0.32	-60%	2.16	1.82	-16%
Net debt				-86.7	**-81.2**	**-3%**

(1) Consolidated earnings for 2012 include DiBcom, Varioptic and senseFly. The consolidated accounts have been audited and the certification report is currently being issued.

2012 fourth-quarter business

Over the period, Parrot recorded 73.0 million euros in consolidated revenues, up 2% in relation to the fourth quarter of 2011. Its dynamic rate of commercial development has benefited from the success of the Retail Multimedia products. The Group has sold more than 3.1 million products during the period.

Retail Products represented 60% of the Group's revenues (versus 54% in Q4 2011). The Key Account activities accounted for 40% of the Group's revenues (compared with 46% in Q4 2011).

In the fourth quarter of 2012, Parrot clearly confirmed the **Parrot AR.Drone's** continued success (+48% units sold compared with Q4 2011), while benefiting from significant levels of sales of the **Parrot ZIK** wireless handsfree system and audio headset. The new **Retail infotainment products** (**Parrot Asteroid**) have been finalized and their commercial launches are underway. With internet connectivity (3G and 4G) and advanced handsfree features, they are paving the way for the intelligent digitalization of vehicles by incorporating navigation, geolocation, music, internet and digital radio in one single device, along with a series of driver support services which are constantly updated: location of service stations and fuel prices, location and availability of parking facilities, warnings about dangerous 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 be quicker and cheaper.

Parrot is positioning itself to lead the way forward on this market for innovation, looking to validate the relevance of its technological choices in relation to the Retail sector. Alongside this, the Group is gearing up to meet the expectations of auto manufacturers for their next generations of connected digital vehicles, and is already working to develop infotainment solutions with six automotive industry operators, with the first release dates scheduled for the end of 2013.

↗ Retail business

In the fourth quarter of 2012, revenues on Retail products (grouping together aftermarket installed systems, Plug & Play products, Multimedia and “Other” products) climbed 14% to 43.7 million euros, compared with 38.5 million euros in the fourth quarter of 2011.

The main Multimedia products (Parrot AR.Drone 2, Parrot Zik) proved popular with consumers during the end-of-year holiday period: the range represented 30% of the Group's revenues for the quarter, generating 21.6 million euros, up 78% in relation to the fourth quarter of 2011.

Revenues from Retail Automotive products are in line with the trend from previous quarters. Installed handsfree kits (21% of Group revenues / 35% of Retail revenues) are still waiting for the breakthrough to be made by the new generation (Parrot Asteroid), released from February 2013. Plug & Play products (6% of Group revenues / 10% of Retail revenues), renewed in 2012, have continued to make progress.

From a regional perspective, sales in Europe are down 3% compared with the fourth quarter of 2011, consistent with the deterioration in the economic environment. On the whole, revenues are balanced between the main countries (France 7% of Group revenues, UK 6%, Spain 5%, Germany 5%, Europe Export 12%). Conversely, business trends remained very strong in America (16% of Group revenues) and Asia (6% of Group revenues). At the end of 2012, the Group rolled out changes to its commercial organization in line with the situations analyzed in each one of its subsidiaries.

In 2012, the Retail business generated 132.1 million euros of revenues, compared with 133.2 million euros in 2011, down 1% at current exchange rates and 4% at constant exchange rates. The Group is close to achieving its objective for a stabilization over the year, thanks to the strong demand for the new Multimedia products and despite the launch of the new infotainment products being deferred.

↗ Key Account business

The Key Account business covers the sale of multimedia connectivity solutions (telephony, music, digital radio and television) to industrial automotive operators, as well as the Digital Optic and commercial drone activities, brought on board through acquisitions.

2.7 million products, primarily dedicated multimedia connectivity modules for in-car mobile phone use, were sold to about 30 customers worldwide, making it possible to generate 28.5 million euros in revenues over this quarter. The anticipated contraction of revenues during the quarter reflects (i) the drop in volumes linked to the strong performance recorded during the first three quarters of 2012, (ii) the lower sales prices in preparation for the new innovation cycle, and (iii) the sluggishness affecting the automotive industry in general.

On the infotainment market, Parrot has continued to move forward and is currently working with six manufacturers.

In 2012, the Key Accounts business generated 148.4 million euros in revenues, compared with 114.5 million euros in 2011, representing an increase of 30% at current exchange rates and 20% at constant exchange rates, significantly higher than the performance initially forecast. On a comparable basis and at constant exchange rates, growth comes out at 13% for the Key Account business.

Gross margin

For the fourth quarter of 2012, Parrot's gross margin came to 52.2%. The increase compared with the gross margin rate recorded in previous quarters is primarily due to sales of end-of-life Retail products during the end-of-year holiday period.

For the full year in 2012, Parrot's gross margin was 50.9%, reflecting the ramping up of Key Account revenues and Parrot's ability to effectively design innovative new products for the Retail market.

EBIT

During the fourth quarter, EBIT came to 6.8 million euros, giving an operating margin of 9.3%. 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 fourth quarter, operating expenses totaled 31.4 million euros, up 3.4 million euros compared with the same period the previous year. The changes in the main cost items were as follows:

- R&D spending is up to 11.1 million euros (15.2% of revenues), an annual increase of 28%. The resources set aside for R&D are focused in priority on two areas:
    - Finalizing the design of a complete proprietary in-vehicle infotainment platform named Asteroid, enabling access to multimedia and online services for drivers.

- Driving Parrot's expansion on related high-potential markets in the connectivity and multimedia sectors, as well as civil drones for commercial environments.

↗ Sales and marketing spending increased by 13% over the year to reach 13.8 million euros (18.9% of revenues), making it possible to support the penetration of new Multimedia products (Parrot Zik, Parrot AR.Drone 2) during the end-of-year holiday period.

↗ General costs totaled 3.5 million euros (4.8% of revenues), with production and quality-related costs representing 3.0 million euros (4.1% of revenues), in line with changes in the Group's requirements and the effective integration of the extended scopes.

At December 31, 2012, the Group's workforce represented 779 people, compared with 765 at September 30th, 2012. The R&D teams make up over 50% of the workforce, with more than 101 external providers meeting temporary technological needs with a view to finalizing the Retail infotainment products.

EBIT came to 31.5 million euros in 2012, versus 32.5 million euros in 2011, with an operating margin of 11.2%. The changes in scope between 2011 and 2012 have increased the costs by 9.5 million euros.

Net income

Financial income and expenses include a non-cash exchange loss of -0.7 million euros (unrealized capital loss linked to the euro's fall against the US dollar over the period) for the fourth quarter, compared with an unrealized exchange gain of 1.1 million euros in the fourth quarter of 2011. Investment income, net of the cost of debt, contributed 0.6 million euros, while the quarter's tax expense came to 1.7 million euros, giving a rate of around 27% for the quarter.

In this way, net income (Group share) totaled 4.4 million euros for the fourth quarter of 2012, representing 0.34 euros per share, with a net margin of 6.0%.

Net income came to 24.3 million euros in 2012, giving a net margin of 8.7% and 1.91 euros in earnings per share. The average tax rate over the year was 21%.

Cash flow and balance sheet at December 31, 2012

At December 31, 2012, Parrot had 81.2 million euros in net cash, compared with 89.1 million euros at September 30, 2012. Net cash from operating activities represented 1.1 million euros for the quarter (19.6 million euros in 2012). Investing cash flow came to 5.5 million euros, focused in particular on R&D and the integration of senseFly (professional civil drones).

Parrot has continued moving forward with its share buyback program (4.1 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 December 31, 2012, inventories came to a total of 43.7 million euros (versus 41.5 million euros at September 30, 2012), in line with the current level of business and the increase in stocks of components required for the optimization of the products' margin. Trade receivables reached 49.6 million euros (versus 48.8 million euros at September 30th, 2012), with 59.9 million euros in trade payables (versus 40.8 million euros at September 30th, 2012) including the option to buy out senseFly's remaining capital (40%) in 2016, based on the company's financial performance in 2015. Working capital, excluding the impact of this acquisition is consistent with its usual level, , the ratio for trade receivables is stable and the trade payables ratio shows an improvement of eight days.

The Group's shareholders' equity represents 188.5 million euros (versus 197.5 million euros at September 30, 2012), factoring in the option to buy out senseFly's remaining capital. Net assets per share represent 14.8 euros.

Strategy and outlook for 2013

Parrot brought 2012 to a close with 280.5 million euros in revenues, up 13% (+7% at constant exchange rates, +4% on a comparable basis). In line with the Group's objectives, the ongoing strategy for expansion and innovation, reflected in the acquisitions of technological components and the continued ramping up of R&D efforts, has been rolled out while maintaining the Group's main financial balances.

In 2013, Parrot needs to steer its transition from its traditional market for handsfree kits towards the infotainment market. Faced with its historical market reaching maturity, the Group has been preparing since 2009 to renew its product ranges in order to capitalize on a new wave of innovation, with the digitalization of the car through the mutualization of internet-connected technologies with benefits for drivers. In this context, the development plan for 2013 is built around three priorities:

↗ The commercial launch, currently underway, of the three Parrot Asteroid Retail infotainment products;

- The ramping up of Key Account activities focused on infotainment and in particular new design wins, expected during the year to offset the gradual erosion expected on its current market;
- The ongoing strategy for expansion and innovation outside of the automotive market as already proven by its successful Multimedia products, and possible opportunities for external growth.

For 2013, Parrot will be taking the uncertain economic environment into consideration, but aims to move forward with its investments, which will help ensure its success on the infotainment market. **Within this framework, Parrot is forecasting:**

- The **stabilization of Key Account** business on an annual basis, in view of expectations for:
  - The contraction in sales volumes linked to the current sluggishness affecting the entire automotive industry (new vehicle registrations down 9% in Europe in January 2013, source: ACEA), including the high-end European manufacturers with which Parrot has strong references;
  - The sales cycle for the connectivity modules offered by Parrot since 2009 will result in a contractual reduction in prices during the year (by 2 to 5%), which is expected to be offset during the second half of the year with the arrival of the new infotainment solutions;
  - The first two infotainment solutions moving into production for European automotive customers during the second half of 2013; at this stage, three of the other four design wins are set to be brought into production in 2014, followed by one in 2015.

- **The growth of Retail activities**, supported by:
  - The launch of the three new infotainment products in February 2013: Parrot Asteroid Mini, Parrot Asteroid Smart and Parrot Asteroid Tablet;
  - The continued success with sales of Multimedia products (Parrot AR.Drone 2, Parrot Zik);
  - The launch of the Parrot Flower Power, a smart Bluetooth low energy sensor for taking care of plants. Unveiled at the 2013 CES, the Parrot Flower Power will be released during the second half of 2013.

- **Greater control over spending with a view to reducing the impact of investments on the Group's profitability**, in view of the following factors:
  - The product portfolio and component sourcing management approach have been calibrated to enable the Group to keep its gross margin around 50%;
  - The prioritization of Sales and Marketing spending, focused on supporting high-potential regions (America, Asia, Eastern Europe) and benefiting from the new commercial organization;
  - The moderation of R&D efforts, taking into consideration the incorporation of the senseFly team over a full year, as well as the allocation of the resources required to maintain Parrot's lead on the in-car infotainment market, offset through a gradual reduction in external contractors;
  - The potentially unfavorable impact of the US dollar on revenues and financial income and expenses;
  - A inventory reduction plan, made possible by the normalization of the market for the components required to develop the Group's products which will also contribute towards significant cash generation over the year.

With a portfolio of complementary technologies, strong R&D capacities and a commitment to developing on related high-potential markets, Parrot aims to lay the foundations in 2013 for a new wave of strong growth. To achieve this objective, the Group is banking on its penetration on the infotainment market, the renewal of its success on smartphone-connected Multimedia products and its gradual expansion on the commercial civil drone market.

Next financial dates

- April 15 and 16, 2013: European Small Cap Event (Paris)
- May 16, 2013: 2013 first-quarter earnings
- July 30, 2013: 2013 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 a prestigious line of high-end wireless multimedia products in collaboration with some of the world's most 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 with new solutions 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)

More information: www.parrot.com / www.ardrone.com / www.parrotoem.com

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APPENDICES

Consolidated earnings for 2012 include DiBcom and Varioptic over the full year and senseFly from the fourth quarter of 2012. The consolidated accounts have been audited and the certification report is currently being issued.

↗ BREAKDOWN OF REVENUES BY PRODUCT

Consolidated accounts - IFRS (€M and % of revenues).	Q4 2011		Q4 2012		FY 2011		FY 2012	
Installed handsfree systems	21.4	30%	15.5	21%	82.6	33%	59.6	21%
Plug & Play products	3.6	5%	4.5	6%	11.2	5%	12.2	4%
Multimedia products (1)	12.1	17%	21.6	30%	31.9	13%	53.1	19%
Other (2)	1.4	2%	2.1	3%	7.4	3%	7.2	3%
Total Retail revenues	**38.5**	**54%**	**43.7**	**60%**	**133.2**	**54%**	**132.1**	**47%**
Total Key Account revenues	**33.2**	**46%**	**28.5**	**40%**	**114.5**	**46%**	**148.4**	**53%**
Group total	**71.7**		**73.0**		**247.7**		**280.5**	

(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).	Q4 2011		Q4 2012		FY 2011		FY 2012	
EMEA	**28.6**	40%	**27.8**	38%	**106.3**	43%	**90.5**	32%
North America	**6.4**	9%	**11.6**	16%	**15.6**	6%	**27.1**	10%
Asia	**3.5**	5%	**4.4**	6%	**11.3**	5%	**14.5**	5%
Total Retail revenues	**38.5**	**54%**	**43.7**	**60%**	**133.2**	**54%**	**132.1**	**47%**
Total Key Account revenues	**33.2**	**46%**	**28.5**	**40%**	**114.5**	**46%**	**148.4**	**53%**
Group total	**71.7**		**73.0**		**247.7**		**280.5**	

↗ CONDENSED INCOME STATEMENT

Consolidated accounts - IFRS (€M)	Q4 2011	Q4 2012	FY 2011	FY 2012
Revenues	**71.7**	**73.0**	**247.7**	**280.5**
Gross operating margin	**38.5**	**38.1**	**131.7**	**142.9**
% of revenues	*53.7%*	*52.2%*	*53.2%*	*50.9%*
Research and development costs	**-8.6**	**-11.1**	**-29.6**	**-39.4**
% of revenues	*-12.0%*	*15.2%*	*12.0%*	*14.0%*
Sales and marketing costs	**-12.1**	**-13.8**	**-44.2**	**-46.6**
% of revenues	*16.9%*	*18.9%*	*17.9%*	*16.6%*
General and administrative costs	**-4.4**	**-3.5**	**-13.9**	**-14.3**
% of revenues	*6.2%*	*4.8%*	*5.6%*	*5.1%*
Production and quality costs	**-2.8**	**-3.0**	**-9.0**	**-10.9**
% of revenues	*3.9%*	*4.1%*	*3.6%*	*3.9%*
Income from ordinary operations	**10.6**	**6.8**	**35.0**	**31.8**
% of revenues	*14.7%*	*9.3%*	*14.1%*	*11.3%*
EBIT	**9.3**	**6.8**	**32.5**	**31.5**
% of revenues	*13.0%*	*9.3%*	*13.1%*	*11.2%*
Cost of net financial debt	0.2	-0.2	0.9	0.7
Other financial income and expenses	1.0	-0.7	0.7	-1.0
Share in income from equity affiliates	0.0	0.2	-0.2	-0.4
Corporate income tax	0.3	-1.7	-5.2	-6.5
Net income (Group share)	**10.9**	**4.4**	**28.7**	**24.3**
% of revenues	*15.3%*	*6.0%*	*11.6%*	*8.7%*

↗ CONSOLIDATED BALANCE SHEET

Consolidated accounts - IFRS (€M)	Dec 31, 2011	Jun 30, 2012	Dec 31, 2012
Non-current assets	**73.8**	**74.5**	**82.4**
Goodwill	44.7	39.7	41.6
Other intangible fixed assets	18.9	22.1	26.4
Tangible fixed assets	7.7	8.5	9.4
Financial assets	0.7	0.8	2.8
Deferred tax assets	1.7	3.4	2.2
Current assets	**207.3**	**222.3**	**223.8**
Inventories	22.3	31.6	43.6
Trade receivables	55.8	53.2	49.6
Other receivables	11.9	15.0	24.3
Other current financial assets	33.9	37.0	33.1
Cash and cash equivalents	**83.5**	**85.5**	**73.1**
TOTAL ASSETS	**281.1**	**296.8**	**306.2**
Share capital	2.0	1.9	2.0
Issue and contribution premiums	57.5	53.0	54.3
Reserves excluding earnings for the period	87.1	123.1	107.4
Earnings for the period - Group share	28.7	14.2	24.5
Exchange gains or losses	1.5	1.3	0.3
Equity attributable to Parrot SA shareholders	**176.8**	**193.5**	**188.5**
Minority interests			-0.2
Non-current liabilities	**29.8**	**25.2**	**22.1**
Non-current financial liabilities	24.5	21.9	18.7
Pension provisions and related commitments	1.0	1.2	1.6
Deferred tax liabilities	2.9	0.4	0.3
Other non-current provisions	1.5	1.8	1.5
Current liabilities	**74.5**	**78.1**	**95.8**
Current financial liabilities	6.2	6.2	6.3
Current provisions	12.6	12.6	9.8
Trade payables	36.3	39.5	59.9
Current tax liability	1.4	2.1	1.3
Other current liabilities	17.9	17.6	18.5
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**281.1**	**296.8**	**306.2**

↗ CASH-FLOW STATEMENT

Consolidated accounts - IFRS (€M)	Dec 31, 2011	Jun 30, 2012	Dec 31, 2012
CASH FLOW FROM OPERATIONS			
Earnings for the period	28.7	14.2	24.3
Share in income from equity affiliates	0.2	0.1	-0.07
Depreciation and amortization	9.1	4.6	6.6
Tax charges	5.2	3.0	6.5
Cost of share-based payments	2.6	2.0	4.1
Cost of net financial debt	-0.9	-0.2	-0.3
Cash flow from operations before tax and cost of net financial debt	**44.9**	**23.8**	**41.1**
Change in working capital	-4.0	-8.4	-17.7
Tax paid	-2.3	0.1	-4.0
Net cash from operating activities (a)	**38.6**	**15.5**	**19.5**
INVESTING CASH FLOW			
Acquisition of tangible and intangible fixed assets	-8.6	-8.3	-17.3
Acquisition of subsidiaries, net of cash acquired	-26.3	-	-0.9
Acquisition of long-term financial investments	-0.4	-0.1	-2.1
Disposal of long-term financial investments	0.1	-	0.03
Cash flow from investment activities (b)	**-35.2**	**-8.4**	**-20.3**
FINANCING CASH FLOW			
Equity contributions	0.3	0.1	1.2
Receipts linked to new loans	29.5	-	-
Cash invested for over 3 months	-5.9	-3.1	0.7
Cost of net financial debt	0.9	0.2	0.3
Exchange hedging instruments	-0.1	-0.3	-
Repayment of short-term financial debt (net)	-1.6	-	-
Repayment of other debt	-	-3.0	-6.3
Treasury stock purchases and sales	-7.2	0.1	-5.6
Cash flow from financing activities (c)	**16.0**	**-6.0**	**-9.6**
Net change in cash position (d = a+b+c)	**19.4**	**1.2**	**-10.5**
Net exchange rate differences	1.2	0.8	0.04
Cash and cash equivalents at year-start	**62.8**	**83.5**	**83.5**
Cash and cash equivalents at year-end	**83.5**	**85.5**	**73.1**
Other current financial assets	33.9	37.0	33.1
Cash. cash equivalents and other current financial assets at year-end	**117.4**	**122.5**	**106.2**

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