



# 7PARROT®

## H1 2007: sound operational fundamentals

Paris, July 31<sup>st</sup>, 2007 – 6:35 pm

- **Sustained growth in business:** 112.1 million euros, up +50% in relation to H1 2006 in spite of a slowdown on a market during the 2<sup>nd</sup> quarter.
- **Significant increase in EBIT:** 17.7 million euros (+67%), representing 15.8% of revenues.
- **Strong growth in net income:** 11.9 million euros, up from 0.6 million euros in H1 2006 (including 6.5 million euros for non-recurring items).
- **Highlights of H1 2007:**
  - Launch of 7 new products: the Parrot BOOMBOX™, the Parrot PHOTO VIEWER™ 7'', the Parrot CONFERENCE™ and the Parrot PARTY™, further strengthen the Home range, while the new Parrot MK 6100, 3200 LS-COLOR PLUS and PMK 5800 were added to the range of dedicated handsfree car kits;
  - Increasing of co-marketing operations with specialized retailers;
  - Strengthening of product listings and penetration;
  - Ramping up of the OEM business, confirming its strong potential for growth and reflecting the excellent quality of Parrot's products;
  - Strengthening of structures at international level.
- **2007 EBIT margin target raised to 14% (13% initially forecasted) with revenues showing a 45 % growth instead of 55%.**

€'000,000, excluding net EPS, pro forma	H1 2006 IFRS	H1 2007 IFRS	Change %
Revenues	74.9	112.1	50%
<b>Gross operating margin</b>	<b>31.3</b>	<b>56.5</b>	80%
% of revenues	41.8%	50.4%	
<b>EBIT</b>	<b>10.6*</b>	<b>17.7</b>	67%
% of revenues	14.1%	15.8%	
Non-recurring expenses	-6.5	-	
<b>Net income (Group share)</b>	<b>0.6</b>	<b>11.9</b>	x20
% of revenues	0.8%	10.6%	
<b>Net earnings per share</b>	<b>€0.07</b>	<b>€0.93</b>	
Diluted net earnings per share	€0.05	€0.86	
	<b>Jun 30, 06</b>	<b>Jun 30, 07</b>	
Net cash position	-27.3	-33.5	
	<b>Jun 30, 06</b>	<b>Jun 30, 07</b>	
Working capital	-2.0	-6.7	

\* Excluding non-recurring stock option allocation expenses linked to the capital restructuring program

(1) Income from ordinary operations as a % of revenues

*"Parrot performed well over the first half of 2007, continuing with a strong and profitable growth. Indeed, the first six months of the year represent the best half-year period in Parrot's history. With more than two million units sold over this period, we will continue moving ahead with our plans.*

*The 12 new products launched so far in 2007 and the good commercial development at international level, notably in the US and UK, and moves to increase the OEM business will represent major sources of growth for the months to come",* explains Henri Seydoux, Parrot's Chairman and CEO.

### **Good level of business**

Over the first half of 2007 Parrot generated 112.1 million euros in revenues, up 50% in relation to the first half of 2006. Over this period, the Group sold 2.3 million units, compared with 1 million in H1 2006, and successfully continued increasing its OEM activity, which accounted for 9.5% of business for the period. For its part, the installed handsfree kit range recorded a very good level of business. On the Home range, the Group has significantly strengthened its product listings, with sales volumes to pick up pace over the end of the year.

In Q2, revenues totaled 53.1 million euros. This is to be compared with a first quarter of 2007 boosted by the lag on sales from the end of 2006 to the start of 2007, and by an environment marked by the strengthening of the legislative framework in the UK (February 2007). The first half of 2007 also reflects the downturn in revenues under the distribution contract for navigation products in Spain – down -37% in relation to H1 2006 – and the 12.5% average reduction in sales prices introduced on May 14<sup>th</sup>. These trends have in part been offset by a sustained increase in aftermarket business (installed handsfree kit and plug & play ranges) in the US, the UK, and again in Spain.

The good level of activity achieved at international level confirms the legitimacy of the decision to replicate the Spanish sales and marketing model, notably based on moves to strengthen product listings and ramp up co-marketing operations (Norauto in France, Halfords and Carphone Warehouse in the UK, Bel Company in the Netherlands, etc.).

### **Gross margin**

For the first six months of 2007, the gross margin represents 50.4% of revenues, compared with 41.8% for H1 2006. Without factoring in the distribution contract for navigation products in Spain, the gross margin on all Parrot products comes out at 53.5%.

This improvement primarily reflects a favorable euro-dollar exchange rate, with a positive impact of 3.3 points. It also includes the new pricing policy rolled out from June 2006 onwards, with costs transferred over to spending on sales and marketing and a reduction in unit costs on a constant exchange rate basis.

### **EBIT**

EBIT is up +67% in relation to H1 2006, rising to 17.7 million euros, with an operating margin of 15.8%, up +1.7 points on H1 2006.

This improvement reflects the increase in the gross margin rate and the effective management of operating expenses. More specifically, R&D spending has remained stable, representing 8.2% of revenues (8.3% in H1 2006). At the same time, Parrot has made selective investments in various operational initiatives in order to facilitate future developments: increase in non-recurring administrative costs (4.9% of revenues), notably linked to the structuring of subsidiaries and the strengthening of sales and marketing actions, with 20.6 million euros in spending (representing 18.4% of revenues vs. 13.4% in H1 2006, a period during which the new pricing policy had not yet been implemented).

### Net margin: 10.6%

Net income (Group share) totaled 11.9 million euros, up 67% in relation to H1 2006 (excluding non-recurring expenses linked to the capital restructuring program), including a financial expense of -0.3 million euros, primarily linked to euro-dollar exchange rate differences.

The tax rate came out at 31.2%, factoring in a 0.6 million euro research tax credit.

### Financial structure

At June 30<sup>th</sup>, 2007, the Group had 33.5 million euros in cash (net of debt), compared with 27.3 million euros at June 30<sup>th</sup>, 2006. This change primarily reflects a positive operational cash flow of 9,7 million euros since June 2006, used in part to buy out minority interests in Parrot Iberia.

### Outlook: strong lines to drive growth

Over the second half of 2007, the Group expects to see:

#### ➤ Launch of new products on all existing ranges

Parrot aims to launch five new products: two on the handsfree kit segment and three on the Home range. Highly attentive to the emergence of new standards, many of these products will be multi-standard (Sd Card, Wifi, USB port, etc.).

#### ➤ Deployment of product listing in the US

Moves to further strengthen Parrot product listings in the US will be reflected in the distribution agreements sealed with major national distribution channels.

#### ➤ Strong development of the OEM business

The development of OEM is being driven by the growing importance of existing contracts and the potential on major contracts that are currently being negotiated, primarily in Asia and Europe.

#### ➤ First significant volumes expected on the Home range

The various products from this range have been particularly well received, pointing to major potential for growth over the end of the year. New product launches, such as the Parrot PARTY, should pave the way for the level of growth expected, with the penetration of new generation mobile phones with megapixel cameras and MP3 players, such as Apple's iPhone, picking up pace.

#### ➤ Aggressive policy to build public recognition of the Parrot brand

Parrot aims to further strengthen its brand, improving its brand awareness and immediate recognition with the general public, both on the Home range and on its dedicated automobile products. In addition to the various co-marketing agreements in each country, this will see general public advertising campaigns stepped up over the second half of the year.

### Annual EBIT margin target raised

In 2007, revenue growth is expected to come out at over 45% compared with the initial forecast of 55%. The operating margin<sup>(1)</sup> would be superior to 14 % (13% initially forecasted), that is an EBIT of €34M, factoring in a slight increase in the gross margin on a full year basis, due to the new pricing policy (offset by the higher level of spending on sales and marketing) and a more advantageous product mix.

**Parrot will be publishing its results for Q3 2007 ending September 30<sup>th</sup> on November 13<sup>th</sup>.**

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**ABOUT PARROT**

Founded in 1994, Parrot has rapidly established itself as a pivotal global player for wireless mobile telephone accessories. Drawing on its tried-and-tested expertise on voice recognition and signal processing technologies, Parrot was one of the very first companies to produce Bluetooth®-based wireless hands free car kits, having identified this standard's vast potential as early as 1999. In 2006, Parrot sold about 3 million units.

Determined to accompany the wireless peripherals' irresistible breakthrough into our day-to-day lives, Parrot has been developing since 2006 a new wireless range of sound and image products.

Today, Parrot truly has a major international focus: 90,5% of its sales are generated outside of France, and a large percentage of its production is outsourced to carefully selected partners, enabling it to achieve the best possible level of quality and responsiveness. Parrot is now particularly well positioned to capitalize on the bright future opening up for mobile telephone devices.

Parrot has achieved strong growth in its consolidated revenues, up from 80.9 million euros pro forma in 2005 to 166.9 million euros in 2006.

[www.parrot.com](http://www.parrot.com)

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## Appendices

### Breakdown of revenues by region

% of revenues	H1 2007	H1 2006
France	11.6%	9.1%
UK	9.3%	6.8%
Netherlands and Belgium	7.0%	5.7%
Germany	2.7%	5.1%
Spain*	42.0%	47.3%
Italy	3.4%	4.1%
US	8.2%	2.5%
Rest of Europe	6.8%	5.6%
Rest of world	8.9%	13.7%

\* Excluding navigation products, Spain accounts for 35.2% of the Group's revenues for H1 2007

### Breakdown of revenues by segment

% of revenues	H1 2007	H1 2006
OEM	9.5%	5.1%
Installed kits	71.2%	75.1%
Plug & play	4.0%	1.9%
Other	15.3%	17.8%

### Breakdown of gross margin by segment

% of revenues	H1 2007	FY 2006
OEM	60.5%	55.6%
Installed kits	57.9%	53.7%
Plug & play	26.5%	43.9%
Other	15.6%	5.4%

Consolidated interim income statement at March 31<sup>st</sup>, 2007 and June 30<sup>th</sup>, 2007

€'000	Q2 2007	H1 2007	H1 2006 proforma	H1 2006
<b>Revenues</b>	<b>53,105</b>	<b>112,061</b>	<b>74,881</b>	<b>67,151</b>
Cost of sales	-27,184	-55,541	-43,596	38,109
<b>GROSS MARGIN</b>	<b>25,921</b>	<b>56,520</b>	<b>31,285</b>	<b>29,042</b>
<b>Gross margin as % of revenues</b>	<b>48.8%</b>	<b>50.4%</b>	<b>41.8%</b>	<b>43.2%</b>
Research and development costs	-5,125	-9,174	-5,555	-5,555
% of revenues	-9.7%	-8.2%	-7.4%	-8.3%
Sales and marketing costs	-9,808	-20,643	-9,971	-9,006
% of revenues	-18.5%	-18.4%	-13.3%	-13.4%
General costs	-3,138	-5,485	-2,627	-2,627
% of revenues	-5.9%	-4.9%	-3.5%	-3.9%
Production and quality	-1,793	-3,552	-2,584	-2,584
% of revenues	-3.4%	-3.2%	-3.5%	-3.8%
<b>INCOME FROM ORDINARY OPERATIONS</b>	<b>6,057</b>	<b>17,667</b>	<b>10,548</b>	<b>9,269</b>
<b>Income from ordinary operations as % of revenues</b>	<b>11.4%</b>	<b>15.8%</b>	<b>14.1%</b>	<b>13.8%</b>
Other operating expenses	0	0	-6,482	-6,482
Other operating income	0	0	0	0
<b>EBIT</b>	<b>6,057</b>	<b>17,667</b>	<b>4,066</b>	<b>2,787</b>
<b>EBIT as % of revenues</b>	<b>11.4%</b>	<b>15.8%</b>	<b>5.4%</b>	<b>4.2%</b>
Income from cash and cash equivalents	311	523		-78
Cost of gross financial debt	78	12		-155
Cost of net financial debt	388	535	-315	-234
Other interest expenses and income	-432	-618	-201	-46
Corporate income tax	-1,975	-5,724	-2,930	-2,565
<b>EARNINGS FOR THE PERIOD (GROUP SHARE)</b>	<b>4,038</b>	<b>11,860</b>	<b>620</b>	<b>-57</b>
<b>Earnings for the period (Group share) as % of revenues</b>	<b>7.6%</b>	<b>10.6%</b>	<b>0.8%</b>	<b>-0.1%</b>

Consolidated balance sheet at December 31<sup>st</sup>, 2006 and June 30<sup>th</sup>, 2007

<b>ASSETS</b> €'000	<i>Jun 30, 07</i>	<i>Dec 31, 06</i>
<b>Non-current assets</b>	<b>29,295</b>	<b>25,793</b>
Goodwill	18,546	18,546
Other intangible fixed assets	5,851	3,704
Tangible fixed assets	4,067	3,328
Financial assets	263	206
Deferred tax assets	568	9
<b>Current assets</b>	<b>114,362</b>	<b>104,767</b>
Inventories	26,691	15,627
Trade receivables	48,344	37,072
Other receivables	3,532	3,368
Other current financial assets		
Cash and cash equivalents	35,795	48,700
<b>TOTAL ASSETS</b>	<b>143,657</b>	<b>130,560</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b> €'000	<i>Jun 30, 07</i>	<i>Dec 31, 06</i>
<b>Shareholders' equity</b>		
Share capital	1,957	1,920
Issue and contribution premiums	57,852	53,612
Reserves and retained earnings	23,185	14,720
Earnings for the period	11,860	7,036
<b>Equity attributable to Parrot SA shareholders</b>	<b>94,854</b>	<b>77,289</b>
<b>Minority interests</b>	--	--
<b>Non-current liabilities</b>	<b>3,153</b>	<b>3,404</b>
Long-term financial debt	1,000	2,000
Pension provisions and related commitments	314	262
Deferred tax liabilities	1,014	1,001
Other non-current provisions	824	142
Other non-current liabilities	--	--
<b>Current liabilities</b>	<b>45,651</b>	<b>49,867</b>
Short-term financial debt	1,067	14,885
Derivatives	242	295
Current provisions	939	1,177
Trade payables	30,532	20,094
Current tax liability	3,577	5,616
Other current liabilities	9,293	7,801
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>143,657</b>	<b>130,560</b>

## Consolidated cash-flow statement for H1 2007

€'000	H1 2007	H1 2006
<b>Operating cash flow</b>		
Earnings for the period	11,843	-57
Depreciation and amortization	2,472	1 729
Capital gains and losses on disposals	13	-2
Tax charges	5,740	2,565
Cost of share-based payments	1,174	6,970
Cost of net financial debt	-535	234
<b>Cash flow from operations before tax and cost of net financial debt</b>	<b>20,708</b>	<b>11,439</b>
Working capital	-6,710	-2,026
Tax paid	-11,893	
<b>NET CASH FROM OPERATING ACTIVITIES (A)</b>	<b>2,105</b>	<b>9,413</b>
<b>Investing cash flow</b>		
Interest received		
Acquisition of tangible and intangible fixed assets	-4,945	-2,145
Acquisition of subsidiaries, net of cash acquired (1)	0	-19,991
Acquisition of long-term financial investments	0	
Increase in other current financial assets	0	-38
Disposal of tangible and intangible fixed assets	13	
Disposal of subsidiaries, net of cash divested	0	
Disposal of long-term financial investments	0	
<b>CASH FLOW FROM INVESTMENT ACTIVITIES (B)</b>	<b>-4,932</b>	<b>-22,173</b>
<b>Financing cash flow</b>		
Equity contributions	4,278	39,975
Dividends paid	0	
Receipts linked to new loans (2)	0	6,000
Other financing (2)	0	15,083
Cost of net financial debt	535	-234
Repayment of short-term financial debt (net)	-1,000	-738
Repayment of other debt	-13,992	
Acquisition of treasury stock	148	
Interest paid	0	
<b>CASH FLOW FROM FINANCING ACTIVITIES (C)</b>	<b>-10,032</b>	<b>60,086</b>
<b>NET CHANGE IN CASH POSITION (D = A+B+C)</b>	<b>-12,859</b>	<b>47,326</b>
Net exchange rate differences	-44	-13
CASH AND CASH EQUIVALENTS AT YEAR-START	48,674	2,027
CASH AND CASH EQUIVALENTS AT YEAR-END	<b>35,771</b>	<b>49,340</b>
Cash and cash equivalents at year-end	<b>35,771</b>	<b>49,340</b>
Other current financial assets	0	38
Cash, cash equivalents and other current financial assets at year-end	<b>35,771</b>	<b>49,378</b>

(1) Expenditure linked to the acquisition of Inpro Tecnología SL.

(2) Financing for the acquisition of Inpro Tecnología SL.

**CONTACT**

Nathalie Balourdet

[nathalie.balourdet@parrot.fr](mailto:nathalie.balourdet@parrot.fr)

T.: +33 (0)1.48.03.74.04