

2010 SECOND-QUARTER EARNINGS Acceleration in growth and profitability

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Board of Directors meeting on July 29th, 2010

- **Revenues:** 56.7 million euros, up 41% in relation to the 2nd quarter of 2009 and up 14% compared with the previous quarter.
- **Gross margin:** 52.5%, compared with 46.5% for the 2nd quarter of 2009, reflecting the change in the product mix and the strategy for managing purchases in US\$ cancelling out the foreign exchange impact over the period.
- **EBIT:** 8.2 million euros, with an operating margin of 14.4%.
- **Net income:** 5.6 million euros, with a net margin of 9.8%.
- **2nd quarter of 2010** marked by:
 - Continued strong growth in OEM activities;
 - Sound sales of the new retail products;
 - Launch of the Parrot AR.Drone, the first wifi-controlled quadricopter using an iPhone®, iPod touch® or iPad™;
 - Exceptional level of operational profitability, reinforcing Parrot's ability to deploy its investment strategy for the 2nd half of 2010.

Consolidated financial statements (IFRS, €'000,000) – 2010 currently being audited	Q1 2010	Q2 2010	Q2 2009	Δ %	H1 2010	H1 2009	Δ %
Revenues	49.7	56.7	40.3	+41%	106.4	79.4	+34%
Of which, navigation products ⁽¹⁾	2.4	3.0	1.8		5.4	3.6	
Gross operating margin	24.1	29.8	18.8	+59%	53.9	37.0	+46%
% of revenues	48.5%	52.6%	46.5%		50.6%	46.5%	
Current income	5.2	8.2	0.5	1,390%	13.4	0.6	2,072%
% of revenues	10.5%	14.4%	1.4%		12.6%	0.8%	
EBIT	5.2	8.2	0.5		13.4	0.6	
% of revenues	10.5%	14.4%	1.4%		12.6%	0.8%	
Net income (Group share)	5.3	5.6	1.9	+192%	10.9	2.4	+362%
% of revenues	10.7%	9.8%	4.7%		10.8%	3.0%	
Net earnings per share (€) ⁽²⁾	0.41	0.43	0.14	+231%	0.84	0.18	+400%
Diluted net earnings per share (€)	0.41	0.42	0.14		0.83	0.18	

⁽¹⁾ Percentage of revenues from navigation products distributed by Parrot Ibéria S.L.

⁽²⁾ Number of shares for calculating net earnings per share for the first half of 2010 (weighted average number of shares outstanding): 12,927,364, and on a diluted basis: 13,079,540.

Consolidated financial statements (IFRS, €'000,000) – 2010 currently being audited	Jun 30, 2010	Dec 31, 2009	Jun 30, 2009	Δ (yoy) %
Net cash position (negative net debt)	85.5	76.0	64.4	+32%

As Henri Seydoux, Parrot's chairman, chief executive officer and founder, explains: "Parrot had a very good second quarter. The growth achieved has been combined with an outstanding level of profitability, confirming our long-term strategy. Thanks to the OEM and retail activities, which we have been developing for several years now, Parrot is able to move forward with an ambitious innovation strategy. With the Parrot AR.Drone, we have additional potential and are giving ourselves the means to make it a reality. Alongside this, we are continuing to release new handsfree products on the market. We are looking at an increasingly wide target, enabling the Group's various activities to contribute collectively towards expanding the ecosystem for mobile phone accessories".

Level of business in Q2 2010

Over the period, Parrot recorded 56.7 million euros in revenues, representing an annual increase of 41%; in relation to the first quarter of 2010, the Group's sales are up 7.0 million euros or 14%. The "retail products" business, grouping together aftermarket installed systems, Plug & Play products, Parrot By multimedia products and Other products, accounted for 66% of revenues. The OEM product line generated 34% of revenues.

■ Retail products:

Retail products (37.2 million euros for Q2 2010, compared with 33.6 million euros for Q2 2009) have achieved annual growth of 11% and 4% in relation to the previous quarter. The trend seen primarily reflects the good level of sales generated by the latest generations of products, following the realignment of the product portfolio in 2009.

Installed handsfree kits posted growth of 6% compared with the previous quarter. The dynamic commercial development has continued to reflect the progress made on the new MKi products (notably iPhone-compatible and including advanced music features).

Plug & Play product sales show a sequential contraction of 10% linked to sales of the first-generation Minikit being stopped. A new product offering advanced features will be released shortly.

Sales of Home products, attributable exclusively to products from the Parrot By collection, are up 43% in relation to the previous quarter.

From a regional perspective:

In the EMEA (Europe, Middle East, Africa) region, revenues (34.3 million euros) show annual growth of 7%. Over the quarter, Spain (22% of revenues in Q2 2010, compared with 28% of revenues in Q2 2009), Italy and export are making positive contributions towards this growth.

In the US, the level of business (Q2 2010 revenues: 1.9 million euros) has continued to gradually improve (+48% in relation to Q2 2009). Today, eight American States and seven Canadian Provinces have a legislative framework restricting in-car mobile phone use, but few penalties are effectively applied. In addition, a new offering is scheduled to be launched at the end of the third quarter in order to accompany the new bans on texting, currently in force in 25 States.

In Asia (Q2 2010 revenues: 1.0 million euros), the Group is continuing to move forward with the gradual listing of its retail products, focusing on regions where legislation for mobile phone use is currently being deployed, such as New Zealand and Australia. In view of this, a dedicated local team is currently being set up.

■ OEM products:

OEM products once again saw their best quarter, generating 19.5 million euros in revenues, with growth coming out at 189% on an annual basis and 41% in relation to the previous quarter. Three main factors are behind this performance: (i) the high level of sales which has continued to be achieved with the Asian customers acquired in 2008, (ii) the ramping up of revenues generated on products dedicated to the Volkswagen group's vehicles, and (iii) the increase in orders from historical clients, including French manufacturers.

Alongside this, Parrot is continuing to grow its market shares: a new major design win has been achieved with a global Japanese manufacturer, which will contribute towards the good level of OEM business over 2011.

Gross margin

For the 2nd quarter of 2010, Parrot recorded a gross margin of 52.5%. This positive development (+6 pts in relation to Q2 2009) results from changes in the product mix: the ramping up of OEM sales and the improvement in the profitability of Plug & Play and Multimedia products. The impact of the dollar's increase (US\$ average for Q2 2009: 1.36 euros; Q2 2010: 1.27 euros) is offset by the currency hedging policy (cash in US\$) implemented since the end of 2009 to cover projected purchases over a trailing 12-month period.

EBIT

The level of spending over the quarter, coming in at 21.6 million euros, is in line with Parrot's development plan. The 15% increase in the Group's operating expenses is primarily linked to the deployment of dedicated marketing campaigns for the Parrot AR.Drone's launch and to the ongoing R&D program. It has been comfortably offset by the revenue growth achieved (+41%).

EBIT came to 8.2 million euros, representing an operating margin of 14.4%. This exceptionally high level corresponds to the current cycle for sales on automotive products: recent OEM products and retail products in a consolidation phase. In this context:

- R&D spending came to 7.9 million euros (14% of revenues), in line with the gradual increase in R&D investments as planned for the years ahead;

- Sales and marketing spending totaled 9.5 million euros (17% of revenues), reflecting the starting up of advertising investments linked to the Parrot AR.Drone's launch;
- General costs came in at 2.4 million euros (4.2% of revenues), with production and quality-related costs representing 1.9 million euros (3.4% of revenues), in line with the Group's expectations set against a backdrop of business growth.

At June 30th, 2010, the Group's workforce represented 468 people, compared with 465 at March 31st, 2010.

Net income

Net income (Group share) came to 5.6 million euros, representing 0.43 euros per share for the second quarter of 2010. It includes a -1.8 million euro financial expense linked to the foreign exchange impact and a 0.5 million euro tax expense. Over the first half of 2010, the net margin came to 10.8%, with 0.84 euros in net earnings per share.

Financial structure

At June 30th, 2010, Parrot has 85.5 million euros in net cash (compared with 64.4 million euros at June 30th, 2009). The increase of the cash position is geared to enable the Group to finance the launch of the Parrot AR.Drone, a product which represents an opportunity for accelerating the Group's growth.

During the first half of the year, Parrot generated 12.8 million euros in cash flow from operations and set aside 6.3 million euros for its investment operations. These primarily concern the dedicated R&D program for the next generation Parrot chip which should be integrated into all of the Group's products, aimed to allow expanded use of current and future capabilities of smartphones. During the 2nd quarter, Parrot also acquired 2.7 million euros of its own securities in connection with the share buyback program launched at the start of the year. The 194,000 shares acquired at an average price of 13.64 euros are intended to be distributed (bonus shares) under the staff loyalty policy and/or to be cancelled.

At June 30th, 2010, Parrot's consolidated balance sheet was sound, with 162.2 million euros in current assets. In view of the growth recorded during the first six months and the roadmap for the second half of the year, trade receivables came to 47.8 million euros (compared with 42.1 million euros at December 31st, 2010), while inventories represented 22.3 million euros (compared with 12.2 million euros at December 31st, 2009). Parrot does not have any debt and has 141.2 million euros in equity (compared with 126.7 million euros at December 31st, 2010), with 10.9 euros in net assets per share.

Parrot AR.Drone: roadmap for the 2nd half of 2010

The Parrot AR.Drone's launch is well underway and represents an opportunity to accelerate the Group's growth. A first phase for distribution in the seven countries where Parrot has subsidiaries is being finalized. Following on from the major press campaign carried out over the last few months, large-scale advertising operations will be deployed in the run-up to Parrot AR.Drone's release across the various points of sale.

At this stage, the schedule for the AR.Drone being available for sale is as follows:

- Hong Kong: since July 16th from Toys"R"US
- Germany: August 18th at Saturn
- France: August 18th at FNAC
- UK: August 18th at HMV
- Spain: August 28th at Media Markt
- US: early September at Brookstone
- Italy: early September at GameStope.

With this product at the boundary between video gaming and model-making, the Group's ambition is to create a new activity within its historical ecosystem, namely mobile phone accessories. To achieve this, the Parrot AR.Drone has been designed based on Parrot's longstanding business model and offers major technical innovations definitely geared towards a mass market product. The Parrot AR.Drone represents:

- A concentrated blend of technology: it is the first quadricopter which can be controlled using an iPhone, iPod touch or iPad, with Augmented Reality capabilities, consistently integrating a number of recent mobile telephony innovations (accelerometers, gyroscopes, processor, Wifi connectivity, memory, video camera, etc.), all orchestrated by a Parrot chip and drawing on the R&D expertise in software development.
- A video gaming accessory for all: easy to fly both indoors and outdoors, the Parrot AR.Drone is the video gaming accessory for parents and children, occasional and regular gamers.
- A gaming platform: sold with a control application which can be downloaded freely from the AppStore, the Parrot AR.Drone also has an AR.Drone duel game, which can be downloaded from the AppStore for 2.99 euros including VAT.
- A tool open to creation: a development kit for the Parrot AR.Drone, developed under Linux, has been made available to third-party developers in order to promote the creation of games which will be able to be sold on specialized online platforms. This approach encourages creativity while enabling Parrot to remain focused on its

core business. The expansion of the gaming world and the adaptation of the Parrot AR.Drone for other mobile platforms offer strong potential for success for the Parrot AR.Drone.

During the first marketing phase the Parrot AR.Drone will be distributed in over 1,000 points of sale as well as online. The initial launch has been calibrated in order to minimize the financial risk over the short term and maximize the opportunity over the medium term. Following the very strong interest shown by the media, the general public (notably through the various social networks) and retailers, the Group has put in place the resources needed to sell several tens of thousands of AR.Drones by the end of 2010. In addition, a series of accessories (batteries, propellers, fuselages, etc.) will also be sold. Lastly, the general public marketing campaigns will be launched during the 3rd and 4th quarters. For this initial launch phase, the Group will have a dedicated advertising budget of around 6 million euros, with more than 15% already covered during the 2nd quarter. In this way, by choosing to launch in August, Parrot will have the visibility needed to accurately assess the marketing investments required for the end-of-year sales and the pace of production to be adopted for 2011.

Outlook

Over the short term, business is expected to be impacted by the third quarter's traditional seasonal slowdown of the retail activities, although this effect could be reduced by the first sales of the Parrot AR.Drone. In addition, the very good results achieved during the first half of 2010 confirm Parrot's roadmap for the second six months.

- The ramping up of the OEM business is being confirmed, contributing towards further strengthening the Group's operating margin; following on from the initial orders booked from Hyundai and the Volkswagen group (press release on 6/15/2010 and 7/6/2010), another German manufacturer is expected to drive progress for the following quarters.
- The additional profitability recorded during this quarter demonstrates the soundness of the business model, notably ensuring peace of mind in regards to the spending linked to the Parrot AR.Drone's launch and the new R&D programs.
- With sales of the latest generation retail products continuing to pick up pace, the Group is continuing to renew its portfolio, including the launch of a new product shortly which will supplement the success achieved by the Minikit Slim.
- The currency hedging policy, alongside the ramping up of revenues generated in the dollar zone, is enabling the Group to gradually free itself up from the impact of fluctuations in the euro-dollar exchange rate on its gross margin.

Financial diary

- Early August: release of the half-year financial report
- September 20th and 22nd, 2010: Parrot will be present at the MidCap Event Paris.
- November 10th, 2010: 2010 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, motorbikes and scooters, including wireless multimedia products geared towards audiovisual applications. In 2008, Parrot launched a new prestige line of high-end products bearing the hallmark of renowned artists. Parrot, headquartered in Paris, currently employs +450 people worldwide and generates most of its sales overseas. Parrot is listed on NYSE Euronext Paris since 2006 (FR0004038263 – PARRO).

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■ BREAKDOWN OF REVENUES BY PRODUCT

% of revenues and €'000,000	Q2 2010		Q2 2009		H1 2010		H1 2009	
Installed handsfree systems	26,4	46,5%	25,4	63,0%	51,2	48,1%	50,8	64,0%
Plug & Play products	3,3	5,9%	4,1	10,1%	7,1	6,6%	7,9	10,0%
Parrot By multimedia products	1,4	2,4%	1,2	3,0%	2,3	2,2%	2,5	3,2%
Other ⁽¹⁾	6,1	10,8%	2,9	7,1%	12,5	11,8%	6,1	7,7%
Total revenues for Retail Products	37,2	65,6%	33,6	83,3%	73,1	68,7%	67,4	84,8%
Total revenues for OEM Products	19,5	34,4%	6,7	16,7%	33,3	31,3%	12,0	15,2%
Group total	56,7	100,0%	40,3	100,0%	106,4	100,0%	79,4	100,0%

⁽¹⁾ Definition of "Other" revenues: (i) navigation product sales (ii) accessory sales (steering wheel-mounted controls, cables, etc.) (iii) auxiliary sales to customers (marketing, delivery, etc.) and (iv) retail product component sales to suppliers.

■ BREAKDOWN OF REVENUES BY REGION

% of revenues and €'000,000	Q2 2010		Q2 2009		H1 2010		H1 2009	
EMEA	34.3	60.4%	32.0	79.4%	68.1	64.0%	64.5	81.2%
US	2.0	3.5%	1.3	3.3%	3.5	3.3%	2.6	3.3%
Asia	1.0	1.7%	0.2	0.5%	1.6	1.5%	0.3	0.4%
Total revenues for Retail Products	37.2	65.6%	33.6	83.3%	73.1	68.7%	67.4	84.8%
Total revenues for OEM Products	19.5	34.4%	6.7	16.7%	33.3	31.3%	12.0	15.2%
Group total	56.7	100.0%	40.3	100.0%	106.4	100.0%	79.4	100.0%

■ CONDENSED INCOME STATEMENT

Consolidated financial statements (IFRS, €'000,000) - currently being audited	Q2 2010	Q2 2009	H1 2010	H1 2009
Revenues	56.7	40.3	106.4	79.4
<i>Of which, navigation products ⁽¹⁾</i>	3.0	1.8	5.4	3.6
Gross operating margin	29.8	18.8	53.9	37.0
<i>% of revenues</i>	<i>52.5%</i>	<i>46.5%</i>	<i>50.6%</i>	<i>46.5%</i>
Research and development costs	-7.9	-6.0	-14.2	-11.6
<i>% of revenues</i>	<i>-13.8%</i>	<i>-14.8%</i>	<i>-13.3%</i>	<i>-14.6%</i>
Sales and marketing costs	-9.5	-7.9	-17.5	-16.4
<i>% of revenues</i>	<i>-16.7%</i>	<i>-19.5%</i>	<i>-16.4%</i>	<i>-20.7%</i>
General costs	-2.4	-2.4	-5.3	-4.5
<i>% of revenues</i>	<i>-4.2%</i>	<i>-6.0%</i>	<i>-4.9%</i>	<i>-5.7%</i>
Production and quality	-1.9	-1.9	-3.6	-3.8
<i>% of revenues</i>	<i>-3.4%</i>	<i>-4.8%</i>	<i>-3.4%</i>	<i>-4.8%</i>
Income from ordinary operations	8.2	0.5	13.4	0.6
<i>% of revenues</i>	<i>14.4%</i>	<i>1.4%</i>	<i>12.6%</i>	<i>0.8%</i>
EBIT	8.2	0.5	13.4	0.6
<i>% of revenues</i>	<i>14.4%</i>	<i>1.4%</i>	<i>12.6%</i>	<i>0.8%</i>
Cost of net financial debt	0.1	0.2	0.2	0.4
Other financial income and expenses	-1.9	-0.3	-1.1	-0.4
Share in income from equity affiliates	-0.4	0.0	-0.4	0.0
Corporate income tax	-0.5	1.4	-1.3	1.8
Net income (Group share)	5.6	1.9	10.9	2.4
<i>% of revenues</i>	<i>9.8%</i>	<i>4.7%</i>	<i>10.2%</i>	<i>3.0%</i>

⁽¹⁾ Percentage of revenues from navigation products distributed by Parrot Iberia S.L.

■ CONSOLIDATED BALANCE SHEET

ASSETS (€'000,000)	Jun 30, 2010	Dec 31, 2009	Jun 30, 2009
Non-current assets	35.0	30.9	33.3
Goodwill	22.1	21.1	21.5
Other intangible fixed assets	7.9	5.5	7.2
Tangible fixed assets	3.9	3.8	4.0
Financial assets	0.9	0.4	0.4
Deferred tax assets	0.1	0.1	0.3
Current assets	162.2	137.3	121.5
Inventories	22.3	12.2	18.3
Trade receivables	47.8	42.1	34.9
Other receivables	6.6	7.0	3.9
Other current financial assets	38.0	0.0	0.0
Cash and cash equivalents	47.6	76.0	64.4
TOTAL ASSETS	197.1	168.3	154.8

LIABILITIES (€'000,000)	Jun 30, 2010	Dec 31, 2009	Jun 30, 2009
Shareholders' equity			
Share capital	2.0	2.0	2.0
Issue and contribution premiums	57.8	57.8	56.5
Reserves excluding earnings for the period	69.6	57.0	57.6
Earnings for the period - Group share	10.9	9.6	2.4
Exchange gains or losses	0.9	0.3	0.2
Equity attributable to Parrot SA shareholders	141.2	126.7	118.6
Minority interests	0.0	0.0	0.0
Non-current liabilities	5.2	5.0	4.4
Pension provisions and related commitments	0.4	0.4	0.5
Deferred tax liabilities	4.1	3.9	3.2
Other non-current provisions	0.7	0.8	0.7
Other non-current liabilities	0.0	0.0	0.0
Current liabilities	50.8	36.6	31.7
Current provisions	4.1	1.0	1.2
Trade payables	32.9	24.7	18.1
Current tax liability	1.9	0.1	1.6
Other current liabilities	11.9	10.8	10.7
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	197.1	168.3	154.8

■ CASH FLOW STATEMENT

€'000,000	Jun 30, 2010	Dec 31, 2009	Jun 30, 2009
Operating cash flow			
Earnings for the period	10.9	9.6	2.4
Share in income from equity affiliates	0.4	0.0	0.0
Depreciation and amortization	6.3	6.0	3.5
Capital gains and losses on disposals	0.0	0.0	0.0
Tax charges	1.3	-1.7	-1.8
Cost of share-based payments	0.9	1.7	1.0
Cost of net financial debt	-0.2	-0.6	-0.4
Cash flow from operations before tax and cost of net financial debt	19.5	15.1	4.7
Change in working capital	-2.9	17.6	12.2
Tax paid	0.0	3.9	5.9
Net cash from operating activities (a)	16.6	36.6	22.8
Investing cash flow			
Acquisition of tangible and intangible fixed assets	-5.8	-4.3	-2.4
Acquisition of long-term financial investments	-0.5	-0.1	-0.1
Cash flow from investment activities (b)	-6.3	-4.4	-2.4
Financing cash flow			
Equity contributions	0.1	0.1	0.1
Cash invested for over 3 months ⁽¹⁾	-38.0	0.0	0.0
Cost of net financial debt	0.2	0.6	0.3
Repayment of short-term financial debt (net)	0.0	-1.0	-1.0
Acquisition of treasury stock	-2.7	-0.3	-0.1
Cash flow from financing activities (c)	-40.3	-0.6	-0.5
Net change in cash position (d = a+b+c)	-30.0	31.6	19.9
Net exchange rate differences	1.5	-0.2	-0.1
Cash and cash equivalents at start of period	76.0	44.6	44.6
Cash and cash equivalents at end of period	47.6	76.0	64.4
Other current financial assets	38.0	0.0	0.0
Cash & equivalents & other current financial assets at end of period	85.5	76.0	64.4

⁽¹⁾ In accordance with IFRS 7, the percentage of net cash invested for over three months is recognized under other current financial assets