

Note to the reader: This English language version is a free translation from the original press release which is in French and is available on the company's corporate website (archos.com). In the event of inconsistencies between the original French language version and this English translation, the French version will take precedence

Results for fiscal year 2013

ARCHOS is back to break-even with a positive operating income

Consolidated Profit & Loss (in €M)	From January 1, 2013 to December 31, 2013	From January 1, 2012 to December 31, 2012	Var (in €M)	Var %
Revenue	143,7	154,9	-11,2	-7%
Gross Margin	20,3	6,1	14,2	N/A
Gross Margin as % of revenue	14%	4%		
Operating Expenses	20,1	24,8	-4,7	-19%
Operating Margin	0,2	-18,7	18,9	N/A
Non recurring charges	-0,1	-4,8	4,7	N/A
Financial income	-1,2	-0,3	-0,9	N/A
Income tax	-0,3	-14,9	14,6	N/A
Net consolidated income	-1,4	-38,7	37,3	N/A

Consolidated financial statements were approved by the Board of Directors on March 14th 2014. The audit procedures were substantially performed. The statutory auditor reports are in progress.

Revenue

In €M	2013	2012	Var in €M	Var in %
Europe & North America	111,2	119,9	-8,7	-7%
Asia and Other	32,5	35,0	-2,5	-7%
TOTAL	143,7	154,9	-11,2	-7%

The combined turnover of 2013 reached 143.7 M€, a decrease of 7% compared to 2012. Although the cumulated revenue declined year over the year, the turnover of the fourth quarter saw a sharp increase, not only compared to the third quarter of 2013 but also to the fourth quarter of 2012 with an increase in 16%.

Results

Gross margin for the Group amounts to 20.3 M€ in 2013 versus 6.1 M€ in 2012, as 2012 had been impacted by significant inventory depreciations.

Gross margin is 14% in fiscal 2013. The gross margin for the period is impacted by a provision reversal of 1.5 M€ for the private copying levy in Germany. Based on current known information, the Group considers that this provision is no longer justified.

As described in the first half of the year report, ARCHOS has sought to move upmarket in its range, at the risk of slowing its turnover, thus allowing for better margin levels than in 2012. At the same time, product ranges were regularly renewed enabling a stable margin to be maintained over the period despite the necessary selling off of older inventory.

Operating expenses amount to 20.1 M€ against 24.8 M€ in 2012. This 19% decrease compared to 2012 is mainly due to the reduction in Research and Development (R&D) expenses - from a 3.1 M€ charge in 2012 to a 0.4 M€ income in 2013 based on subsidies and repayable advances.

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Indeed, impacted by the restructuring undertaken in 2012, spending on R&D (excluding depreciation) amounts to 3.2 M€, down 1.6 M€ over year. Only 46% of these expenses are activated during the period in respect of new projects to be launched in 2014. The positive impact from grants, repayable advances and research tax credits amount to 3.3 M€ against 2.3 M€ in 2012.

Sales costs (Sales and Marketing) amount to 8.0 M€ in 2013 against 9.3 M€ in 2012 and follow the evolution of turnover. **General and administrative expenses** of 12.5 M€ are stable compared to last year. Efforts to reduce administrative costs is offset by an increase of expenses in customer service and quality needed to take the product ranges upmarket and better manage returns.

Non-recurring items

At the end of fiscal year 2012, 1.1 M€ was accrued for restructuring expenses. At the end of 2013, expenses matched the provision at the exception of 0,1 M€ .

Operating income is positive +0.2 M€ versus -18.7 M€ for the same period in 2012.

The consolidated financial result shows a negative balance of -1.2 M€ versus -0.3 M€ in 2012. Most of the loss is coming from the impact of exchange rate (-1.1 M€). The remaining financial expenses relates to interest charges on receivables remitted to factors.

Current and deferred taxes amount to a net expense of 0.3 M€ against 14.9 M€ in 2012. As a reminder in 2012 previously activated deferred taxes corresponding to a portion of ARCHOS SA tax losses have been fully written off, resulting in a tax charge of 14.1 M€.

After taking into account the financial result and income taxes, the Group records a net loss of -1.4 M€ against -38.7 M€ over the same period in 2012.

Main balance sheet items

ASSETS in €M	December 31, 2013	June 30, 2013	December 31, 2012
Fixed Assets and Other LT Assets	5,5	5,6	4,7
Inventories	29,6	31,3	31,8
Trade receivables	31,3	13,7	31,6
Other assets	13,0	9,6	7,2
Cash and cash equivalent	13,7	13,4	14,2
TOTAL ASSETS	93,1	73,5	89,5

LIABILITIES in €M	December 31, 2013	June 30, 2013	December 31, 2012
Total shareholder's Equity	45,4	38,8	37,1
Non current financial debts	1,9	1,1	1,1
Current financial debt	14,1	4,6	7,1
Trade payables	16,4	12,6	19,3
Other provisions and current liabilities	15,3	16,4	24,9
TOTAL LIABILITIES	93,1	73,5	89,5

Although revenue in the fourth quarter is up 16% compared to last year, trade receivables remained stable. This is due to the efforts made by ARCHOS to obtain, with the opening of certain accounts, better payment terms.

The increase in other assets is mainly driven by an increase in advances to suppliers in preparation for stock for the first quarter 2014.

Financial situation:

In €M	Dec 31, 2013 IFRS	Dec 31, 2012 IFRS
Non-current financial liabilities		
Bank euro borrowings	1 921	1 073
Bond	0	0
Total non-current financial liabilities	1 921	1 073
Current financial liabilities		
Other financial current liabilities	2 575	1 223
Current liabilities (Factoring)	11 498	5 849
Bank loans and other short term bank debt	0	25
Total current financial liabilities	14 073	7 098
Total gross financial liabilities	15 994	8 171
Marketable securities	0	0
Cash and cash equivalents	-13 749	-14 178
Net debt with accrued interests including Factoring advances	2 245	-6 007

(1) including FY 2012 R&D Tax credit refinanced by Oseo-BPI for 1.6M€ and repayable advances

(2) including repayable advances from Oseo-BPI for 0.5M€ and FY 2010-FY 2011 R&D tax credit refinanced by Oseo-BPI

The Group has maintained its net cash on hand¹ position relative to the end of 2012. Nevertheless on the 31st of December 2013, the Group shows a net debt level of 2.2 M€ due to the financing by OSEO-BPI of the tax credits on research expenses covering 2010, 2011 and 2012 and amounting to 3.7 M€ from and to a greater use of factoring at the end of the year.

Over the year, although the net cash position remained stable, the following cash flows for a total amount of -0.4 M€ can be noted (the sign indicating the cash impact):

- The increase in working capital due in particular to the increase in advances to suppliers, and the reduction of payables due to changes of some suppliers : -10.7 M€.
- Cash flow from operations (net of taxes paid excluding the cost of net financial debt) amounting to: -6.3 M€
- A reduction in capital expenditure (R&D): -0.8 M€
- Increased use of factoring on receivables : + 5.6 M€
- The cash provided by grants, repayable advances and the financing for the 2012 Research Tax Credit: + 3.2 M€
- Operations on equity with the PACEO® line : +9.3 M€

On November 12, 2013 ARCHOS has announced the renewal of the line of equity financing PACEO® with Société Générale, exercisable in portions at the request of ARCHOS, delegated by the General Assembly of May 28 2013. Société Générale is committed to subscribe, upon ARCHOS request, capital increases by successive installments over the next 36 months, up to a total of 2,800,000 shares (9.9% of current capital).

¹ Net cash on hand is the cash on hand in assets minus overdrafts potentially included in "Current financial liabilities"..

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Perspectives

The end of 2013 was marked by the successful launch of ARCHOS' Smartphone range and the announcement of the Connected Objects range at CES in Las Vegas, the launch of which is scheduled for April 2014. Though operating in a very competitive market, Archos is confident about the future.

- ARCHOS maintains its expertise by further expanding its footprint in the world of tablets. To do so, Archos has sought to move upmarket in this segment, whilst providing consumers with affordable tablets, and without compromising its OEM business.
- ARCHOS maintains its innovative strength in 2014 with Connected Objects and 4G mobility, whilst maintaining its affordable price point.
- Finally, ARCHOS consolidates its position in the Android market, diversifying thanks to the recent but successful development into the smartphone arena.

With a strategy based on these three growing axes, ARCHOS can position itself in this constantly renewing market. Its partnership, starting January 2014, with Logic Instrument should allow ARCHOS to take part in high volume markets with higher margins.

Complementary information is posted today on ARCHOS website at : www.archos.com – Investors.

About ARCHOS

ARCHOS, a pioneer in the portable audio and video player market, and now specializing in Android Tablets and Smartphones, has repeatedly revolutionized the market for consumer electronics since 1988. Today, ARCHOS offers its own line of Android Tablets and Smartphones, as well as a full line of OEM devices. In 2000, ARCHOS launched the Jukebox 6000, the first MP3 player combined with a hard disk. In 2008, ARCHOS launched the first generation Internet Tablets, and then the first ever Android powered tablets in 2009. In 2013, ARCHOS launched its first generation of Smartphones with the ARCHOS Platinum series. ARCHOS has offices in the United States, Europe and Asia. ARCHOS is quoted on Compartment C of Euronext, Euronext Paris, ISIN CodeFR0000182479.

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