

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

25% gross margin increase and +€ 2.3m EBITDA for 2016

OPERATING RESULTS & EBITDA¹

Summarized P&L, in €M ²	FY 2016	FY 2015	Var YoY	Var%
Revenue	154.5	158.7	-4.2	-2.6%
Gross Margin	32,6	26,1	6.5	25%
<i>% of Revenue</i>	<i>21.1%</i>	<i>16.4%</i>		
Operating expenses (excluding depreciation & amortization and other expenses)	30.3	25.4	4.9	19%
EBITDA	2.3	0.8	1.5	
<i>% of Revenue</i>	<i>1.5%</i>	<i>0.5%</i>		
Depreciation, amortization and other expenses	2.2	2.0	0.2	10%
EBIT	0.1	-1.3	1.4	
Other operating income & expenses	-3.8	-0.5	-3.3	
Financial results	0.6	0.0	0.6	
Income tax	-0.3	-0.2	-0.1	
Net income	-3.4	-2.0	-1.4	

The Group recorded a **turnover** of € 154.5 million compared to € 158.7 million in 2015. The activity slowed in some emerging countries, particularly in Egypt and Nigeria, facing critical geopolitical contexts, where ARCHOS remained therefore conservative. The Group continues to expand in its historic markets (+14% in Western Europe), in new territories (especially in Eastern Europe, such as in Poland) and on the B2B segment with LOGIC INSTRUMENT.

The Group's **gross margin** reached € 32.6 million in 2016, compared to € 26.1 million in 2015, an increase of 25%. Gross margin's rate was 21.1% of revenue, compared with 16.4% last year, an increase of more than 4 points. These improvements in gross margin were major challenges of the year and the company was able to benefit from its efforts to shorten its value chain, while guaranteeing better product quality, despite an unfavorable EUR / USD parity.

¹ EBITDA: Current operating income before depreciation and amortization - is an indicator used by management to measure operating and financial performance and make investment decisions and allocation of resources. The subtotal EBITDA is not necessarily comparable to similar indicators reported by other companies. It is not a substitute for operating income, because the effects of depreciation and impairment losses that are excluded might significantly impact the operating result.

² The consolidated financial statements for 2016 were approved by the Board of Directors on March, 13th, 2017. The audit procedures were substantially carried out. The auditors' report on the certification of the accounts is in the process of being issued.

Operating expenses amounted to € 32.5 million, compared to € 27.4 million in 2015. The increase in operating expenses compared to last year is mainly due to growth in marketing expenses related to Development in Europe. The breakdown of operating expenses by nature has evolved as follows:

- **Research & Development expenses:** € 2.2 million versus € 1.7 million in 2015.
- **Business expenses (Sales & Marketing):** € 16.7 million versus € 12.5 million in 2015.
- **Administrative & general expenses:** € 13.6 million versus € 13.2 million in 2015.

The Group's EBITDA improved to + € 2.3 million, compared to + € 0.8 million in 2015.

EBIT reached + € 0.1 million, compared to a loss of - € 1.3 million in 2015.

Other operating income and expenses amounted to - € 3.8 million compared to - € 0.5 million in 2015. The Group has been involved in several litigations which have resulted in significant legal costs that the company has recorded as other expenses for € 2.7 million. In addition, exceptional costs related to subcontractor bankruptcies in China (€ 0.4 million) were also recorded in this category.

Consolidated net income, after taking into account a financial result of + € 0.6 million and income tax for - € 0.3 million, amounted to - € 3.4 million compared to - € 2 million in 2015.

CONSOLIDATED BALANCE SHEET

ASSETS, in €M	December 31, 2016	December 31, 2015
Non-current assets	6.6	6.5
Current assets	100.7	95.4
- Inventories	35.3	33.6
- Accounts receivable	35.6	36.5
- Other current assets	11.3	12.9
- Cash & cash equivalent	18.5	12.4
TOTAL ASSETS	107.3	101.9
LIABILITIES, in €M	December 31, 2016	December 31, 2015
Equity attributable to ARCHOS SA shareholders	40.0	35.5
Minority interests	4.0	2.6
Non-current liabilities	12.7	6.6
Current liabilities	50.6	57.2
- Current financial debts – Factoring	15.1	19.4
- Current financial debt	4.4	9.8
- Accounts payable	18.2	13.5
- Other provisions & current liabilities	12.9	14.5
TOTAL SHAREHOLDERS' EQUITY & LIABILITIES	107.3	101.9

FINANCIAL POSITION³ AS OF DECEMBER 31ST, 2016

Net cash stood at + € 18.5 million, an increase of € 6.1 million over the year. The change in cash and equivalents in this period is mainly due to the following flows (the signs mean the impact on cash):

- cash flow from operations of - € 1.3 M,
- an increase of the operating working capital of + € 3.4 million,
- additional financing and investing capacities resulting from the OCABSA drawing for a total of + € 10 million and a loan from the European Investment Bank ("EIB") of + € 6 million,
- declining financing flows, linked to the gradual withdrawal of financing from Chinese companies, as requested by the ARCHOS Group, and the fall in the recourse to factoring companies, which were cyclical, for - € 4.5 million and - € 7.3 million.

OUTLOOK FOR THE COMING YEAR

In 2017, ARCHOS intends to return to profitable growth and to initiate new strategic alliances, such as the partnerships concluded with Arkéa On Life, Groupama and Kodak in 2016. In addition, ARCHOS aims at developing new growth drivers through the opening of pop up stores in large shopping centers to demonstrate new collections and to promote advantages of its fleet of electric vehicles. In parallel with these developments, ARCHOS will continue to invest in brand awareness through strong partnerships such as the one with the French Football Federation.

About ARCHOS:

ARCHOS, a pioneer in consumer electronics, continues to innovate and revolutionize the consumer electronics market. Among others, the French manufacturer was first with an HDD MP3 player in 2000, a multimedia player in 2003; Google Android powered tablets in 2009, a connected Smart Home in 2014 and PicoWAN, the first collaborative network dedicated to the IoT, in 2016. Today, ARCHOS offers its own line of tablets, smartphones and connected objects worldwide. It also markets and distributes high-value innovative products associated with the tablet and smartphone markets: urban mobility, smart entertainment. With headquarters in France, offices in Europe and in Asia, ARCHOS has become a strong pan-European player and is furthering its international expansion. ARCHOS is quoted on Compartment C of Eurolist, Euronext Paris, ISIN Code: FR0000182479

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³ Net cash: cash minus bank overdrafts.