

Results for fiscal 2010: return to operational profitability in H2

- **44% growth in turnover**
- **10 percentage point increase in gross margin**
- **Operating profit at equilibrium**
- **Ambitious development plan and positive outlook**

Income Statement (in M€)	2010	2009	Var M€	Var %
Turnover	83.30	57.90	25.40	+44%
Gross margin	19.38	7.83	11.55	+148%
Gross margin as% of sales	23.3%	13.5%		
Operating expenses	19.16	18.73	0.43	+2.3%
Recurring EBIT	0.23	-10.90	11.12	NS
Non-recurring expenses	-0.37	-6.29	5.91	
Operating profit	-0.15	-17.18	17.03	
Net financial	-1.91	-1.33	-0.58	
Tax	-0.25	-0.08	-0.17	
Net income	-2.31	-18.59	16.29	

The financial statements have been approved by the Board of Directors March 17, 2011. The audit procedures were performed. The report of the auditors on their certification is being issued.

44% growth in turnover

Over the full year 2010, ARCHOS turnover grew by 44%, illustrating the sharp turnaround in its business and the relevance of its strategy. With the successful launch of the Generation 8 tablets, growth accelerated in the last quarter and during this period, ARCHOS established itself as a leader in the French market in the under 400 euros tablet category.

10 percentage point increase in gross margin and return to operational equilibrium

Gross margin rose to 19.4 million euros, against 7.8 million euros in 2009. Expressed as a percentage of sales, it jumped to 23.3%, an improvement of 10 percentage points over the previous year. Good cost control over purchasing and production inputs, along with effective evolution of the business model and the good market positioning of products brought margin levels into line with industry norms.

Throughout the year, ARCHOS sought to control its operating expenses, limiting the increase to 2.3 %.

- Sales and marketing expenses, including commissions on sales and promotional expenses in the distribution network, amounted to 7.4 million euros, up 26.5% due to the strong growth in sales;
- General and administrative expenses fell by 11% to 9.3 million euros.

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Current operating income thus stood at 0.2 million euros against -10.9 million euros a year earlier. After inclusion of € 0.37 million non-recurring charges, operating income was a negative 0.15 million euros in 2010 compared to a negative 6.3 million euros in 2009.

Current operating income for H2 2010 stood at + 2.0 million euros, establishing a clear return to profitability.

Consolidated financial result for 2010 showed a net loss of -1.9 million euros, against -1.3 million euros in 2009. The evolution was mainly the result of the negative foreign exchange impact amounting to -0.38 million euros in 2010 against a net positive impact of 0.35 million euros in 2009. Financial charges related to debt amounted to 1.5 million euros in 2010 against 1.7 million in 2009.

Taking into account the financial result and taxes, the Group recorded a sharp reduction in its net loss to 2.3 million euros, against a loss of 18.6 million euros in 2009.

A sound balance sheet

At December 31, 2010, the Group has recovered a healthy financial position. Net debt reached € 4.9 million euros for equity of 36.1 million euros and net cash¹ of 7.5 million euros.

The change of the current net cash position (-8.1 M €) is mainly due to increased working capital from the very strong acceleration of sales in the fourth quarter (growth of sales of 19.4 M €, +120%). This growth drives a proportional increase of trade receivables (+15.5 M €). Inventory levels have also been replenished versus last year (+7.1 million €) but the increase (+62%) was only half that of last quarter's sales.

Promising prospects

In 2010, the group demonstrated the success of an offensive strategy firmly focused on its core competencies: innovation, quality, product management, marketing and customer satisfaction. Through its tightly integrated organization, ARCHOS has become more flexible, enabling cost optimization and resource focus on the "time to market" of its products.

Thus, ARCHOS approaches fiscal 2011 with confidence. Demand remains very strong in this beginning of year. Q1 turnover, to be released mid April, should be equal or above to that of Q4 2010, despite a traditionally unfavorable seasonality in Q1. The group enjoys a strong positioning and an acknowledged technological lead on a booming segment where the market anticipates sales of 50 million tablets worldwide in 2011², or triple the number sold in 2010.

ARCHOS means to position itself to take an important share in this market. In this context, the Group announced the launch of the ARNOVA brand to conquer the Asian market and global FMCG retailer distribution. ARNOVA products are now available and white label distribution agreements have been signed with some of the largest FMCG players, including: **Kesa, Auchan and Carrefour...**

Financial Calendar

Archos will release its financial report March 23, 2011 and the turnover of the first quarter April 11, 2011.

¹ Net cash = (cash & cash equivalent – overdrafts)

² Morgan Stanley Feb 2011

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About ARCHOS

Archos, pioneer in the portable audio and video player market, and now specialized in Android powered Internet Tablets, has repeatedly revolutionized the market for consumer electronics since 1988. Today, ARCHOS offers Internet Tablets, Tablet PCs and MP3/MP4 players. In 2000, ARCHOS launched the Jukebox 6000, the first MP3 player combined with a hard disk. Then in 2003 ARCHOS introduced the first portable multimedia players with TV recording. In 2006 Wi-Fi is implemented and then touch screens in 2007. In 2008, Archos launched the first generation Internet Tablets, and then the first ever Android powered tablets in 2009. ARCHOS has offices in the United States, Europe and Asia. ARCHOS is quoted on Compartment C of Eurolist, Euronext Paris, ISIN CodeFR0000182479. Website: www.archos.com.

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