

**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.

## EBITDA close to balance in the second half of 2017

The ARCHOS Group posted revenue of 114.1 million € compared to 154.5 million € in 2016. Overall, the Group's revenue was down 26% over the year, marked by an exacerbated competition in the entry-level smartphone segment. However, the second half shows an increase of 27% compared to the first half.

Gross margin level was maintained over the year. The Group significantly reduced its operating expenses in the second half of 2017 and thus improved its profitability, since EBITDA was limited to -0.2 million € for this period compared with -2.4 million € in the first half of the year. ARCHOS has begun to take advantage of the reorganization efforts initiated in 2017.

2017 proved to be a pivotal year for the Group as it accelerated the development of new value-added businesses to counter a decline in sales in the entry-level smartphone market.

For more than 8 months, the R&D teams have been involved in various projects to enable the deployment of innovative product offerings, based on the Group's technological strengths:

- The achievement of the PicoWAN project and the launch of many initiatives between the end of 2017 and Q1 2018 (opening of picowan.com website to the community of developers, projects with ADEME) and the start of the national coverage of the network with the deployment of more than 1,000 gateways.
- The return of breakthrough innovation in tablets, ARCHOS' favorite ground, with the development of the ARCHOS Hello video assistants.
- The design of Safe T Mini, the first project around securing transactions in the blockchains.

### OPERATING RESULTS & EBITDA<sup>1</sup>

Summarized Statement of Income, in €M	Second Semester 2017	First Semester 2017	2017 (12 months)	2016 (12 months)
Revenues	63.8	50.4	114.1	154.5
Gross margin (excluding stock depreciation)	14.5	11.7	26.3	34.1
% of revenues	22.8%	23.3%	23.0%	22.0%
Gross margin (including Stock depreciation)	12.2	11.7	24.0	32.6
% of revenues	19.2%	23.3%	21.0%	21.1%
OPEX	12.5	14.2	26.7	30.3
<b>EBITDA</b>	<b>-0.2</b>	<b>-2.4</b>	<b>-2.7</b>	<b>2.3</b>
Depreciation, amortization and others	0.1	0.9	1.0	2.2
<b>EBIT</b>	<b>-0.4</b>	<b>-3.3</b>	<b>-3.7</b>	<b>0.1</b>
Other operating income & expenses	-1.2	0.2	-0.9	-3.8
Financial results	-0.3	-1.2	-1.5	0.6
Income tax (charge)	-0.1	-0.3	-0.3	-0.3
<b>Net income</b>	<b>-1.9</b>	<b>-4.6</b>	<b>-6.5</b>	<b>-3.4</b>

<sup>1</sup>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.

**The Group's gross margin<sup>2</sup>** amounted to € 24 million in 2017 compared to € 32.6 million in 2016. The gross margin rate stood at 21% of sales compared to 21.1% last year.

**Operating expenses** (excluding depreciation, amortization, and other charges) amounted to € 26.7 million compared with € 30.3 million in 2016.

**The Group's EBITDA** amounted to € -2.7 million over the year, compared to € +2.3 million in 2016 with a clear reduction in losses in the second half of 2017.

**EBIT** was € -3.7 million compared to € +0.1 million in 2017.

**Other operating income & expenses** amounted to € -0.9 million versus € -3.8 million in 2016.

**Consolidated net income** after taking into account a financial result of € -0.3 million and income tax for € -0.1 million amounted to € -6.5 million against € -3.4 million in 2016.

## CASH POSITION

It stood at € 17.6 million, down € 1 million compared to December 31, 2016 and € 7.3 million higher than June 30, 2017.

## OUTLOOK FOR THE COMING YEAR

ARCHOS is setting up a new organization, reflecting its strategic orientations for the years to come, around 4 business divisions making the most of its R & D, value chain and distribution skills:

### 1. Mobile Solutions - B to B and B to C

This division brings together the expertise of the teams in the tablet and smartphone market, serving businesses and the general public.

### 2. Connected Home and IoT

This cluster, with its work in design, ergonomics and telecommunications, ensures the development and marketing of solutions dedicated to the home, always more connected and easily controllable by voice, for reasonable cost.

### 3. Connected and shared urban mobility

This cluster pursues the initiatives started early 2017 for easier mobility on a daily basis, thanks to the integration of innovative solutions, which open up new possibilities: the connection and the access to countless resources to better manage journeys, the sharing in safely, for individuals or agglomerations, to improve traffic and parking conditions.

### 4. Security of exchanges in blockchains and electronic wallets

Open system security has always been at the heart of the concerns of ARCHOS' R&D teams. This division is responsible for the development of new generation tools that are now essential for crypto-assets holders and blockchain users.

The products, which reflect this new organization, were presented at the Mobile World Congress in early 2018 and were unanimously praised by all players in the sector (Customers, Press, and Investors). This new range reflects the group's desire to focus on higher value-added businesses and on disruptive innovations.

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<sup>2</sup> Including depreciation of stocks

## 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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