

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.

RESULTS FOR THE FIRST HALF OF 2017

- Gross margin increase of 1.9 points to 23.3%
- EBITDA¹ limited to € -2.4 million

Business overview and highlights of the Semester

Revenue

Consolidated revenues (in €M)	First Semester 2017	First Semester 2016	Variation	Variation %
ARCHOS	44.1	68.6	-24.6	-36%
LOGIC INSTRUMENT	6.3	4.7	+1.6	+34%
Total	50.4	73.3	-23.2	-31%

The ARCHOS Group recorded a turnover of € 50.4 million in the first half of 2017, compared to € 73.3 million in the first half of 2016.

The decrease this semester was mainly due to lower sales of tablets in Europe. The market was particularly difficult in France and Germany.

LOGIC INSTRUMENT posted an increase of +34% in the first six months of the year compared to the same period last year.

Statement of income & EBITDA

Summarized Statement of Income, in €M	First Semester 2017	First Semester 2016	Variation	Variation %
Revenues	50.4	73.3	-22.9	-31%
Gross Margin	11.7	15.7	-4.0	-25%
% of revenues	23.3%	21.4%		
OPEX	14.2	14.1	0.1	1%
EBITDA	-2.4	1.6	-4.0	N/A
% of revenues	-4.9%	2.2%		
Depreciation, Amortization and Others	0.9	1.1	-0.2	
EBIT	-3.3	0.5	-3.8	N/A
Net income	-4.6	0.5	-5.1	N/A

¹ EBITDA - 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 weigh on the operating result, which is also presented in the consolidated income statement in accordance with IAS 1.

Gross margin

The ARCHOS Group recorded a gross margin of € 11.7 million in the first half of 2017, compared to € 15.7 million in the first half of 2016. In percentage, the margin reached 23.3% of turnover compared with 21.4% last year, an improvement of 1.9 points in margin. The gross margin improvement has been a major focus for several semesters and the Company has benefited from the efforts made to shorten its value chain while securing a better product quality

EBITDA

With operating expenses relatively stable compared to the first half of 2016, the company's EBITDA amounted to € -2.4 million, compared with € +1.6 million last year.

Net income

EBIT amounted to € -3.3 million in the first half of 2017, compared with a profit of € 0.5 million in the first semester of 2016. LOGIC INSTRUMENT's contribution to the Group's consolidated EBIT amounted to € 0.2 million in the first half of 2017.

After taking into account the effects of non-recurring items, financial income and income taxes, net income for this six-month period amounted to € -4.6 million, compared with a gain of € 0.5 million in the first half of 2016.

Main Consolidated Balance Sheet Items

The main consolidated balance sheet items are as follows:

ASSETS, in €M	June 30, 2017	December 31, 2016
Non-current assets	4.7	6.6
Current assets	84.3	100.7
- Inventories	44.2	35.3
- Trade receivables	19.6	35.6
- Other current assets	10.0	11.3
- Cash & Cash equivalent	10.4	18.5
TOTAL ASSETS	88.9	107.3

SHAREHOLDERS' EQUITY & LIABILITIES, in €M	June 30, 2017	December 31, 2016
Equity attributable to ARCHOS SA shareholders	37.6	40.0
Minority interests	4.9	4.0
Non-current liabilities	11.4	12.7
Current liabilities	35.1	50.6
- Current financial debts - Factoring	5.1	15.1
- Other current financial debts	7.8	4.4
- Trade payables	10.5	18.2
- Other provisions & current liabilities	11.7	12.9
TOTAL SHAREHOLDERS' EQUITY & LIABILITIES	88.9	107.3

Net cash position² as of June 30, 2017 amounts to € 10.4 million, a decrease of € -8.1 million over the first half. The change in cash during this period mainly resulted from the following cash flows (direction sign indicating the impact on the cash position):

- Cash flow from operations for € -2.7 million,
- Operating working capital for € -0.5 million in relation with the increase in inventories purchased in anticipation of sales in July and August 2017,
- Additional financial and investment capacities resulting from the OCABSA drawing for a total of €+1.7 million
- Capital increase of LOGIC INSTRUMENT for + € 0.8 million,
- Disbursements for € -0.5 million related to the Picowan project,
- Reduction of the company's financing for a total amount of € -6.6 million due to the decline in turnover.

Other highlights

Signature of a strategic agreement with NUBIA, spin-off of the ZTE Group

Concluded to achieve higher end smartphones, this partnership has already enabled ARCHOS to launch 2 models. The ARCHOS Diamond Alpha and the ARCHOS Diamond Gamma are equipped with the latest hardware and software, for more potential in their use, especially in photography. They offer a serious alternative to the traditional players. The deal, which was favorably welcomed, is expected to have a positive impact in terms of sales during the second half of 2017.

ARCHOS Capital Increase

Following the conversion to shares of the OCA ("*Bonds convertible into shares*"), ARCHOS increased its share capital by 2,639,017 shares, i.e 1,319,508.50 euros at a par value of 0.50 €. As of June 30, 2017, the share capital therefore amounts to 40,916,042 shares, i.e in value, 20,458,021 euros.

Outlook

Faced with a difficult first semester, ARCHOS set up an action plan to boost sales and improve profitability:

- the launch of new products to be presented at IFA in Berlin at the beginning of September 2017,
- the continuation of its products upgrading through the Nubia ZTE partnership,
- a savings plan of approximately 10% of its operational costs.

ABOUT ARCHOS :

ARCHOS, a pioneer in consumer electronics, continues to innovate and revolutionize the 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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² Net cash position corresponds to cash available minus any bank overdrafts, which may be included in "Other current financial debts"