

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 (www.archos.com). In the event of inconsistencies between the original French language version and this English translation, the French version will take precedence.

Record-breaking H1 2016: Revenue at 73.3 €M (+ 6.1%) And gross margin improved by 73%

1ST HALF 2016 TURNOVER

Revenues, in €M	First semester 2016	First semester 2015	Variation	Variation as a %
ARCHOS	68.6	64.8	3.8	5.9%
LOGIC INSTRUMENT	4.7	4.3	0.4	9.3%
Total	73.3	69.1	4.2	6.1%

The ARCHOS Group recorded revenue of 73.3 €M in H1 2016, up 6.1% compared to H1 2015.

Key milestones were as follows:

- Deliveries of the ARCHOS 2 Diamond Plus, expected as a new standard for smartphones below 250 €, had to be shifted to July 2016, to maximize integration of new functionalities available with Google Android 6.0 (Marshmallow).
- ARCHOS joined the LoRa™ Alliance, a consortium that works on the normalisation of long-range low power networks (LPWAN) to develop the Internet of Things (IoT).
- Finally, ARCHOS's expansion in emerging countries is operated cautiously due to economic and geopolitical instabilities recently observed.

STATEMENT OF INCOME AND EBITDA¹ FOR 1ST HALF 2016

€M	First semester 2016	First semester 2015	Variation	Var %
Revenues	73.3	69.1	4.2	6.1%
Gross Margin	15.7	9.1	6.6	73%
<i>% of revenues</i>	<i>21.4%</i>	<i>13.2%</i>		
OPEX	14.1	11.8	2.3	19%
EBITDA	1.6	-2.6	4.2	N/A
<i>% of revenues</i>	<i>2.2%</i>	<i>-3.8%</i>		
Depreciation, amortization and others	1.1	1,0	0.1	
EBIT	0.5	-3.7	4.2	
Other operating expenses	-0.3	0.1	-0.4	
Financial results	0.5	0.2	0.3	
Taxes	-0.2	-0.1	-0.1	
Net income	0.5	-3.5	4,0	

¹EBITDA: 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 15.7 €M in H1 2016 against 9.1 €M in H1 2015, with an increase of 73%. In percentage term, the margin reached 21.4% of sales in H1 2016 against 13.2% in H1 2015, a growth of 8.2% points of margin.

This net increase is due to:

- A better management of currencies (Euro / USD),
- An optimisation of the product ranges and a move towards more mid to high-end solutions,
- A cautious sales price management.

Operating charges:

Operating expenses increased by 2.3 €M in H1 2016. This variation is explained by:

- Sales and marketing expenses increased to approximately 1.4 €M in connection with the recruitment of additional international sales forces and growth of the activity,
- Legal expenses rose by 0.9 €M.

Operating income:

Operating income was +0.5 €M in H1 2016 against a loss of -3.7 €M in H1 2015.

Net profit:

Consolidated net income, after taking into account a financial result of +0.5 €M, income taxes on the results for -0.2 €M and other charges for -0.3 €M, establishes a benefit of +0.5 €M in H1 2016 against a loss of -3.5 €M in H1 2015.

Key consolidated balance sheet items:

ASSETS, in €M	June 30, 2016	December 31, 2015
Non-current assets	4.6	6.5
Current assets	96.6	95.4
- Inventories	32.8	33.6
- Trade receivables	37.3	36.5
- Other current assets	12.0	12.9
- Cash & cash equivalent	14.5	12.4
TOTAL ASSETS	101.2	101.9

PASSIF, en millions d'euros	June 30, 2016	December 31, 2015
Equity attributable to ARCHOS SA shareholders	40.3	35.5
Minority interests	3.9	2.6
Non-current liabilities	10.7	6.6
Current liabilities	46.4	57.2
- Current financial debts - factoring	15.8	19.4
- Other current financial debts	3.9	9.8
- Trade payables	14.0	13.5
- Other provisions & current liabilities	12.7	14.5
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	101.2	101.9

The net cash position as of June 30, 2016 amounted to 14.5 €M, up 2.1 €M over the semester. 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 +1.4 €M,
- Decrease of the operating working capital by -1.4 €M related to the seasonality of the business,
- Additional financing and investing capacities resulting from OCABSA drawing for a total of +6 €M and a loan from the European Investment Bank (" EIB ") of +6 €M as well,
- The repayment of loans for -1.4 €M ,
- Acquisition of tangible and intangible assets for -0.7 €M,
- Financial cash flows declining, related to the funding phasing out from Chinese manufacturers, desired by the Company, and to lower recourse to factoring companies, cyclical , to -5.5 €M and -3.5 €M respectively.

OUTLOOK FOR THE 2ND HALF OF 2016

For the 2nd half of 2016, the ARCHOS Group has defined the following strategic areas:

- Strengthen ARCHOS's position as a major player in the mobility market, with innovative tablets, smartphones and connected objects at affordable price.
- Improve gross margin as a percentage of sales through a progressive move upmarket and an extended professional offer.
- Deploy PicoWAN, its long range and low power network for connected objects.

The company plans to pursue its growth and thus recover a healthy profitability of its operations for the year.

New product announcements will be made at IFA in Berlin, at the beginning of September 2016.

About ARCHOS:

ARCHOS, a pioneer in consumer electronics, has repeatedly revolutionised 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, as well as a connected Smart Home in 2014. Today, ARCHOS offers its own line of tablets, smartphones and connected objects worldwide. 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. www.archos.com

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