

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 2018

Business overview and highlights of the semester

Revenue

Consolidated revenues (in €M)	First Semester 2018	First Semester 2017	Variation	Variation %
ARCHOS	26.8	44.1	-17.3	-39%
LOGIC INSTRUMENT	5.5	6.3	-0.8	-13%
Total	32.3	50.4	-18.1	-36%

The ARCHOS Group recorded a turnover of € 32.3 million in the first half of 2018, compared to € 50.4 million in the first half of 2017.

The decrease this semester was mainly due to lower sales of smartphones and the management decision to focus on higher added-value activities around Artificial Intelligence and Blockchain / Crypto-assets management.

LOGIC INSTRUMENT posted a decrease of -13% in the first Semester suffering from a shift of significant purchase orders from some key accounts.

Statement of income & EBITDA

Summarized Statement of Income, in €M	First Semester 2018	First Semester 2017	Variation	Variation %
Revenues	32.3	50.4	-18.1	-36%
Gross Margin	5.5	11.7	-6.2	-53%
% of revenues	17.0%	23.0%		
OPEX	9.8	15.1	-5.3	-35%
EBIT	-4.2	-3.3	-0.9	N/A
Net income	-5.1	-4.6	-0.4	N/A

Gross margin

The gross margin rate is down 6 points due to an unfavorable euro / dollar effect over the period and retrieval actions of refurbished Smartphones.

Operating expenses

The company has realigned its resources around Mobile Solutions, Artificial Intelligence and Blockchain Solutions and has been able to reduce its operating expenses by 35% without affecting its dynamic forces.

Net income

EBIT amounted to € 4.2 million, down € 0.9 million compared to the first half of 2017.

After taking into account non-recurring items, financial income and income taxes, the net result for the half-year shows a loss of -5.1 M € compared to -4.6 M € in the first half of 2017.

Main Consolidated Balance Sheet Items

The main consolidated balance sheet items are as follows:

ASSETS, in €M	June 30, 2018	December 31, 2017	June 30, 2017
Non-current assets	5.6	5.2	4.7
Current assets	75.1	92.3	84.2
- Inventories	35.7	41.1	44.2
- Trade receivables	19.9	26.1	19.6
- Other current assets	7.4	7.5	10.0
- Cash & Cash equivalent	12.1	17.6	10.4
TOTAL ASSETS	80.7	97.5	88.9

SHAREHOLDERS' EQUITY & LIABILITIES, in €M	June 30, 2018	December 31, 2016	June 30, 2017
Equity attributable to ARCHOS SA shareholders	30.5	35.5	37.6
Minority interests	4.9	4.9	4.9
Non-current liabilities	11.4	12.4	11.4
Current liabilities	34.0	44.7	35.1
- Current financial debts - Factoring	4.6	9.0	5.1
- Other current financial debts	3.0	5.2	7.8
- Trade payables	12.2	15.3	10.5
- Other provisions & current liabilities	14.2	15.2	11.7
TOTAL SHAREHOLDERS' EQUITY & LIABILITIES	80.7	97.5	88.9

Net cash position¹ as of June 30, 2018 amounts to € 12.1 million compared with € 10.4 million in the first half of 2017 and € 17.6 million at the end of 2017.

The change in the cash position since December 31, 2017 results mainly from the following flows (the meaning of the signs indicates the impact on cash flows):

- Cash flow operations of + € 2.2 million in connection with the decrease in accounts receivable and a sharp depletion of the last year-end stock over the first half of 2018,
- Less recourse to financing for € -8.1 million due to the decline in revenues,
- Capital increases related to BSAR (Redeemable Share Purchase Warrants) for € +0.5 million.

¹ Net cash position corresponds to cash available minus any bank overdrafts, which may be included in "Other current financial debts"

Other highlights

Hello Range Announcement: Artificial Intelligence at the heart of homes



The Hello range, available from September 2018, will offer consumers a unique solution for voice and video assistants. These products will also generate margin around proximity services or services via smart objects that will be attached to them.

Agreement to launch a range of products with the Amazon Alexa environment



ARCHOS is developing a range with the support of Amazon's R&D teams that will be equipped with the Amazon Alexa environment. This range will be marketed at the end of 2018.



Launch of the first product for Blockchain solutions, the Safe-T mini

Manufactured by Eiffage Energie Electronique in Verquin, in the North of France, in order to guarantee a high level of traceability and security, the ARCHOS Safe-T mini embeds:

- An encrypted memory chip, in addition to its 6-digit PIN code,
- An open source software, based on the Trezor solution, available on GitHub,
- A secure storage of funds repatriated after trading on exchange platforms chosen by the user,
- The compatibility with Bitcoin, Bitcoin Cash, Bitcoin Gold, Dash, Ether, Ether Classic, Litecoin, and ERC20 tokens.



The Safe-T mini is available for sale from many international partners since July 2018.

Outlook

Since 2017, ARCHOS has put in place its new strategic plan to make a radical change in its activity and focus its development efforts around three business areas in order to increase the monetization of services in relation to the sale of equipment and to gradually add value to its installed base of users.

1. Mobile Solutions

This cluster will include activities around mobility including tablets, smartphones, PCs, All-in-Ones, urban mobility, for BTC and BTB areas. ARCHOS plans to continue to offer innovative products around wireless charging, flexible displays, devices adapted to extreme conditions and first deployments around 5G with its partner ZTE / Nubia.

2. Artificial Intelligence

This cluster includes all the products designed around artificial intelligence like the Hello Range based on the Android environment, but also the Mate Range for Amazon Alexa. This hub will also include the ecosystem of intelligent voice-controlled objects, such as PicoWAN, but also a large number of industrial partners offering intelligent accessories such as voice-controlled light bulbs, thermostats, video door entry units or air quality detectors.

3. Blockchain Solutions

ARCHOS enters the Blockchain era with a first "made in France" product, available since July 17th, 2018, the "Safe-T mini", a hardware wallet to store safely crypto assets. In the second half of 2018 new products and services will be added around the Blockchain with the objective of democratizing crypto assets by proposing unique solutions to transform the act of acquisition of crypto assets, exchanges between individuals and payments while maintaining the security of the portfolios.

This radical change, which began in 2017, should pay off as early as 2019 and should demonstrate that the business model will now be supported by the sale of products as well as the sale of services to ARCHOS consumer base.

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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