

ARCHOS : first half results 2013

Back to healthy financial ratios: gross profit increased 55%, fixed costs down 23% and net income improved significantly compared to the first half of 2012

The Board of Directors of Archos met August 6, 2013, approving the consolidated financial statements for the first half of 2013. The consolidated interim financial statements published in this press release have been subject of a limited review by the statutory auditors.

I. Summarized consolidated income statement for the first half of 2013

Consolidated Profit & Loss (in M€)	1st Half	1st Half	Var° M€	Var° %
	2013	2012		
Turnover	53,9	74,2	-20,3	-27,31%
Gross Profit	7,6	4,9	2,7	55,3%
Gross Margin	14,1%	6,6%		
Operating Expenses	9,9	12,8	-2,9	-22,9%
Operating Income	-2,29	-7,94	5,65	N/A
EBIT	0,35	0,5	-0,2	N/A
Taxes	-0,03	-14,5	14,47	N/A
Net Consolidated Income	-1,96	-21,9	19,9	N/A

Turnover of the first half of 2013 amounted to € 53.9 million against € 74.2 million in the first half of 2012, while gross profit increased 55%.

These two inter-related elements are the result of the following actions taken by the management of the group:

1. Decision to move upmarket in the tablet segment. This action initially handicapped turnover in the first half but was necessary to resume steady but profitable growth and affirm the brand strategy of the Archos Group.
2. Reorganization of subsidiaries. The group reorganized its subsidiaries and its value chain in the world, including shifting the U.S. activities to Hong Kong and entrusting its European logistics platform to a global provider to improve the performance of its services to its clients.

Operating expenses were down 23% compared with the first half of 2012. The value chain has been fully analyzed in order to accelerate execution and reduce costs. The company has also implemented new procedures to enhance customer service in all the countries where it operates.

Financial result amounted to +€ 0.35 million due to the impact of currency movements.

Consolidated net loss for the period amounted to - € 1.96 million in the first half of 2013 against a loss of - € 21.9 million in the first half of 2012.

The Group's strategy is clearly oriented towards profitability by combining the optimal team organization and a strong product story with anticipated breakthrough product launches at CES 2014.

II. Selected consolidated balance sheet items

ASSETS in M€	30/06/2013	31/12/2012	30/06/2012
Fixed Assets	5,6	4,7	7,8
Inventories	31,3	31,8	47,5
Trade Receivables	13,7	31,6	21,4
Other Assets	9,6	7,2	6,0
Cash and Cash Equivalent	13,4	14,2	11,7
TOTAL ASSETS	73,5	89,5	94,4

LIABILITIES in M€	30/06/2013	31/12/2012	30/06/2012
Total Shareholder's Equity	38,8	37,1	53,6
Non Current Financial Debts	1,1	1,1	1,4
Current Financial Debt	4,6	7,1	2,4
Trade Payables	12,6	19,3	18,4
Other Provisions and Current Liabilities	16,4	24,9	18,6
TOTAL LIABILITIES	73,5	89,5	94,4

The level of net inventories remain stable at the end of June 2013 compared to 31 December 2012. Trade receivables and payables are down, in alignment with the seasonality of the business.

Net cash at 30 June 2013 amounted to € 13.4 million slightly down by € 0.9 million on the first half. The change in cash during this period is mainly due to the following flows, with +/- signs indicating the impact on cash:

- Capital contribution related to PACEO drawdown in the first quarter: +€ 3.8 million
- Net cash provided by operating activities (Cash flow from Operations and WCR): - € 2 million
- Variation in short-term financing: - € 2.6 million

III. Perspectives

At the IFA electronics show early September 2013, Archos will detail its brand strategy focused on the following points:

1. Archos will market a full range of seven Android smartphones this Autumn with all its retail partners
2. Archos is currently investing in the development of high-end tablets and also on 3G with more than 5 product announcements at IFA
3. Archos, in agreement with several major retailers, will also unveil innovations in thematic tablets, specifically around gaming, connected TV and the educational sector / early learning.

The company expects continued growth in turnover in the second half and is putting everything in place to recover sustained profitability.

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

About ARCHOS

ARCHOS introduced the hard-drive-based MP3 player with the Jukebox 6000 in 2000, and since that time has revolutionized consumer electronics devices. The company introduced the portable video player in 2003 and was the first to bring TV recording, wireless and touch screens to the portable media player. In 2008, ARCHOS introduced the first Internet Media Tablets, offering consumers

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uncompromised access to the Internet, movies, photos, video, music and television anytime, anywhere. Now, ARCHOS develops Internet Tablets, PC Tablets, Netbooks Mobile Phones and MP3/MP4 Players. Established in 1988, ARCHOS has offices in the United States, Europe and Asia, and is quoted on Compartment C of Euronext Paris, ISIN Code FR0000182479.

More information is available online at www.archos.com.

ARCHOS

Loïc POIRIER

CEO

Email : poirier@archos.com

Tél. : +33 1 69 33 16 90