

## Revenue increase of 21% in the first half of 2015

### First half results of 2015

Consolidated Profit & Loss (in €M)	From January 1, 2015 to June 30, 2015	From January 1, 2015 to June 30, 2015	Var (in €M)	Var %
Revenue	69.1	57.3	11.8	21%
Gross Margin	9.1	10.4	-1.3	-12%
Gross Margin as % of revenue	13,2%	18,2%		
Operating Expenses	12.8	12.3	0.5	4%
<b>Operating income</b>	<b>-3.7</b>	<b>-1.9</b>	<b>-1.8</b>	<b>-93%</b>
Non recurring charges	0.1	0,0	0.1	N/A
Financial income	0.2	-0.2	0.4	N/A
Income tax	-0.1	-0.2	0.1	N/A
<b>Net consolidated income</b>	<b>-3.5</b>	<b>-2.3</b>	<b>-1.2</b>	<b>-50%</b>

\* 2014: includes Logic Instrument's sales starting 01/23/2014, acquisition date of ARCHOS in the company

**Revenue** for the first half of 2015 was recorded at €69.1 million, an increase of 21% from the same period in 2014.

### Revenue for the first half of 2015

Revenue in €M	S1 2015	S1 2014	Var in €M	Var in %
Europe	47.3	43.0	4.3	10%
Rest of the world	17.5	11.3	6.2	55%
Logic Instrument*	4.3	3.0	1.3	43%
<b>TOTAL</b>	<b>69.1</b>	<b>57.3</b>	<b>11.8</b>	<b>21%</b>

\* 2014: includes Logic Instrument's sales starting 01/23/2014, acquisition date of ARCHOS in the company

This increase is largely due to:

- A proven success in Africa and the Middle East on the horizon**  
 ARCHOS, by way of its Egyptian partner, has been met with success in Africa. The entry into this market allowed ARCHOS a place in the Top 5 (source GfK) bestselling tablet brands in Egypt in 2015. More recently, ARCHOS has started developing the same strategy in other countries like Saudi Arabia, Senegal, Nigeria, and soon Algeria.
- A smartphone line that was well-received by retailers and customers**  
 ARCHOS currently offers a large range of smartphones, produced in the biggest mobile phone factories with high quality guarantees. Since its entry into the market at the end of 2013, ARCHOS has become a major player in contract-less smartphones in France and Europe. Strengthened by this success, the brand currently has assets to maintain this growth and compete with other market leaders.
- A new dynamic in the tablet market and the rise of professional sales**  
 New growth opportunities are emerging on the market. The recent introduction of 4G tablets, the development of convertible 2-in-1 tablets, and the interest in tablets shown by the professional market (Logic Instrument had a growth increase of 26%) have allowed ARCHOS to seize new opportunities in this domain.

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The **gross income** of the first half of 2015 was recorded as €9.1 million, compared to €10.4 million for the first half of 2014, a decrease of €1.3 million. This decrease is explained in part by the increase of the euro against the dollar (estimated at 1.9 point) as well as non-recurring events in 2014 (3.1 points)<sup>1</sup>.

**Costs** were recorded at €12.8 million, an increase of €0.5 million. They are divided among the following areas: **Research and development spending** was €0.7 million in 2015 compared to €1.2 million in 2014, which is the result of an optimized use of resources.

**Commercial fees (sales and marketing)** were recorded at €5.4 million in 2015 versus €4 million in 2014, which is an increase superior to the net revenue growth mainly explained by the increase of agents' commissions. Lastly, Archos signed a partnership contract with the Fédération Française de Football, which also contributes to the trend of marketing spending to develop the notoriety of the brand.

**Administrative and general spending** were recorded at €6.7 million, which is a decrease of €0.5 million. ARCHOS continues to try to reduce these fixed costs.

The **recurring operating income** is at a loss of €3.7 million compared to a loss of €1.9 million recorded in 2014. LOGIC INSTRUMENT contributed to this at €0.7 million as of June 30, 2015 and 2014.

The **net result** was -€3.5 million for the period, versus -€2.3 million last year.

## Main balance sheet items

The main consolidated balance sheet items are the following:

ASSETS in €M	June 30, 2015	December 31, 2014*
Fixed Assets and Other LT Assets	6.8	8.3
Inventories	28.3	28.5
Trade receivables	27.0	35.4
Other assets	13.7	15.9
Cash and cash equivalent	8.6	10.7
<b>TOTAL ASSETS</b>	<b>84.4</b>	<b>98.8</b>

LIABILITIES in €M	June 30, 2015	December 31, 2014*
Total shareholder's Equity	31.2	32.4
<b>Minority Interest</b>	2.5	3.5
Non current financial debts	4.7	4.5
Current financial debt - Factor	9.2	16.7
Other current financial debt	5.5	6.4
Trade payables	14.7	19.1
Other provisions and current liabilities	16.6	16.2
<b>TOTAL LIABILITIES</b>	<b>84.4</b>	<b>98.8</b>

\*Financial Statements including LOGIC INSTRUMENT since January 23, 2014

**Fixed assets** decreased by €1.5 million. The variation of fixed assets is mainly due to the classification of research tax credit (CIR) as current or not current, depending on their reimbursement due dates. Thusly, this

<sup>1</sup> Refer to the August 8, 2014 press release

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year, the 2012 CIR of €2 million was recorded in other current assets, and the 2010 CIR was reimbursed by the Administration in January 2015.

**Consolidated net stock** remained stable at €28.3 million.

**Trade receivables are lower as of June 30, 2015**, than they were at December 31, 2014. ARCHOS generally records higher sales volume in the later months of the year.

**Other current assets** represent €13.7 million, a loss of €2.2 million. They are mainly comprised of:

- The 2011 and 2012 CIR with a due date below one year, representing €3.7 million;
- Supplier advances representing €5.6 million, a major decrease compared to December 31, 2014, which has seasonal causes.

The current assets of LOGIC INSTRUMENT do not vary and are of little significance.

**The equity of the group** is impacted by several elements:

- During the first quarter of 2015, ARCHOS recorded an equity raise of €1.8 million, fully acquired by the leadership and management.
- In the second quarter, ARCHOS issued a bond convertible to shares with bonds subject to stock purchase warrants (BSA). As of June 12, 2015, ARCHOS has issued 100 bonds, resulting in €1 million of funding. The portion, recorded in the equity as of June 30, 2015, corresponding to the value of BSA attributed to the investor, is €0.3 million.
- The net loss was recorded during the period.

**Minority interests** have decreased. On February 16, 2015, ARCHOS reinforced its participation in LOGIC INSTRUMENT capital and now holds a 48.7% stake in the company.

**Non-current financial debts** are stable. They include funding from 2013 and 2014 research tax credits by BPI in the amount of €1.8 million, compared to €2.8 million last year. This decrease is compensated for by the attainment of an industrialization-commercialization loan: financing in the amount of €0.9 million granted by BPI for the development of innovative projects. Since the end of 2014, ARCHOS has benefited from a free-interest loan of €1.2 million, funded by BPI, to be used for innovation.

**Current financial debts** are down sharply from €23.1 million as of December 31, 2014, to €14.7 million as of June 30, 2015. The company uses factoring to finance its activities; as of June 30, 2015, the amount of receivables to be financed is lower than it was as of December 31, 2014.

The remaining portion consists of the 2011 and 2012 research tax credits financing by BPI for an amount of €2.7 million, funding from supplier advances of Chinese manufacturers of €1.5 million, the bonds' valuation at amortized costs for €0.7 million, and reimbursable advances for innovative projects of €0.4 million.

**Accounts payable** (€14.7 million) are also sharply down, which is explained by the seasonality of the business. Nonetheless, the company is continuing negotiations with its Chinese suppliers to obtain longer payment delays.

**Other liabilities and provisions**, which amount to €16.6 million, are stable. This category includes assets to be issued, customer advances, as well as tax and social security liabilities of the group.

## Financial debt situation of the Group

In €M	June 30, 2015 IFRS	Dec 31, 2014 IFRS
<b>Non-current financial liabilities</b>		
Bank euro borrowings (1)	4 694	4 539
Bond		
<b>Total non-current financial liabilities</b>	<b>4 694</b>	<b>4 539</b>
<b>Current financial liabilities</b>		
Other financial current liabilities (2)	5 494	6 405
Current liabilities (Factoring)	9 203	16 684
Bank loans and other short term bank debt	6	17
<b>Total current financial liabilities</b>	<b>14 703</b>	<b>23 106</b>
<b>Total gross financial liabilities</b>	<b>19 397</b>	<b>27 645</b>
Marketable securities		
Cash and cash equivalents	-8 564	-10 655
<b>Net debt with accrued interests including Factoring advances</b>	<b>10 833</b>	<b>16 990</b>

(1) Including FY 2013 and 2014 R&D Tax Credit refinanced by Oseo-BPI for respectively €1.1m and €0.7m and repayable advances/Oseo-BPI interest-free loans term/Industrialization and Commercialization loans > 1 year for respectively €0.4m, €1.2m and €0.9m.

(2) Including repayable advances from Oseo-BPI for €0.4m, FY 2011-2012 R&D Tax Credits refinanced by Oseo-BPI for €2.7m, bond at amortized cost for €0.7m and financing obtained from Chinese industrial companies for €1.5m

**Net cash position**<sup>2</sup> was €8.6 million as of June 30, 2015, a loss of €2.1 million over the period. This change in cash is mainly due to the following cash flows (plus or minus signs indicate the impact on cash):

- Cash from operations of -€3 million
- Variation of working capital of +€7.7 million from the impact of lower accounts receivable (which have a seasonal effect) and other current assets (€10.6 million) partially offset by that of Accounts payable and Other current liabilities and provisions (-€4 million)
- Impact of additional stake in LOGIC INSTRUMENT: -€1 million
- Research and development investment expenditures: -€0.9M
- Financing from collaborative R&D projects: €0.3 million
- Variation in funding flows: -€4.9 million (-€7.5 million reduction of financing by factoring and -€1.3 million worth of lower financing from Chinese manufacturers due to seasonal effects; €1 million from the convertible bond; interest free loan from BPI at €0.9 million; capital increase at €1.8 million).

<sup>2</sup> Net cash position consists in the cash available minus bank overdrafts that are possibly included in current financial debts

## Outlook

Archos foresees profitability improvements in the second half due to:

- an improvement in the margin if the euro/dollar ratio stays above \$1.10 for 1 euro
- a reduction in the number of personnel expenses due to the recent developments in the organization of Logic Instrument.

Importantly, ARCHOS also foresees faster revenue growth, due to:



- The first sales on the education market, for which ARCHOS created an entire line specifically handled by a dedicated commercial team (the brand already has acquired a contract with the Centre region of France);

• The market entry of the 4G Helium smartphone line, which allows ARCHOS to be the first to propose a 5-inch, 4G, high definition smartphone, equipped with a 5 MP front camera and 13 MP back camera, starting at €99.<sup>3</sup>



- Further development with emerging markets that offer major opportunities for the group. ARCHOS is primed for success due to the very good combination of a diverse product offering, the attractiveness of a European brand, and the experience of this distribution mode.

## About ARCHOS

ARCHOS, a pioneer in the portable audio and video player market, and now specializing in Android Tablets and Smartphones, has repeatedly revolutionized the market for consumer electronics since 1988. Today, ARCHOS offers its own line of Android Tablets and Smartphones, as well as a full line of OEM devices. In 2000, ARCHOS launched the Jukebox 6000, the first MP3 player combined with a hard disk. In 2008, ARCHOS launched the first generation Internet Tablets, and then the first ever Android powered tablets in 2009. In 2013, ARCHOS launched its first generation of Smartphones with the ARCHOS Platinum series. ARCHOS has offices in Europe and Asia. ARCHOS is quoted on Compartment C of Eurolist, Euronext Paris, ISIN CodeFR0000182479.

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### ARCHOS

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<sup>3</sup> Including refund offer