

## ARCHOS : Results for the first half of 2010

The Board of Directors met on August 5, 2010 and approved the consolidated half-year 2010 financial statements under IFRS GAAP. The financial statements have been reviewed by the auditors.

### I. Summary of consolidated P&L for first half of 2010

IFRS Income Statement (in M€)	1rst half 2010	1rst half 2009	Var° in M€	Var° in %
Revenue	30,5	27,7	2,8	10%
Gross margin	7,0	4,7	2,3	50%
<i>Gross margin rate % of revenue</i>	23%	17%		
Operating expenses	8,8	9,1	-0,3	-3%
<b>Current Operating Income</b>	<b>-1,8</b>	<b>-4,5</b>	<b>2,6</b>	<b>59%</b>
Financial Income	-1,3	-0,6	-0,7	-113%
<b>Net consolidated Income</b>	<b>-3,2</b>	<b>-5,1</b>	<b>1,9</b>	<b>38%</b>

In the first half of 2010, the Group achieved a turnover of 30,5 M€ versus 27,7 M€ for the same period in 2009, posting an increase of 10%. The revenue includes a reversal of accrual for 0.5 M€ generated by the revision of a past risk. The turnover increase semester to semester without the reversal impact is 8%.

During the first half of the year, ARCHOS has kept developing its product range of MP3 players by launching 7 new products. In late April 2010, the company also introduced a new 7-inch Android tablet "ARCHOS 7 Home Tablet", the first android tablet at a retail price under \$200.

REVENUE M€	1st Half 2010	1st Half 2009	Var° in M€	Var° in %
EUROPE	22,3	20,8	1,5	7%
ASIA	1,5	1,6	0,0	-2%
USA	6,7	5,3	1,3	25%
<b>TOTAL</b>	<b>30,5</b>	<b>27,7</b>	<b>2,8</b>	<b>10%</b>

The business increase has been driven by Europe and the United States of America. Whilst the global European market is reducing in value and volumes on its segments of business, ARCHOS has sustained a 7% growth. In the U.S.A, the group's sales grew strongly, driven by the expansion of its distribution network

The group's gross margin reached 7 M€, posting a margin rate of 23% against 17% in the first half of 2009. This increase was driven mostly by the following elements:

- The implementation of the strategy of range expansion
- A lower relative weight of Mini PCs which low margin level had penalized the overall margin rate of the first half of 2009

Operating expenses have been slightly reduced over the period (-3%). This is mainly due to further efforts done on General and Administrative expenses (-0.7 M€; -13%).

The costs of Research and Development have increased by 0.1 M€ (+13%), they include the impact of the tax refund for 0.7 M€ against 0.8 M€ in 2009.

Selling expenses increased by 0.3 M€ (+10%), in relation with the evolution of the turnover.

Operating income improved up to -1.8 M€ vs -4.5 M€ in the first half of 2009. It does not include non-recurring items.

The financial income is negative at -1.3 M€ vs -0.6 M€ in the first half of 2009. The negative financial income is explained with the strong Euro depreciation against USD. In the first half of 2009, the impact registered was positive. The financial interests have been slightly reduced.

After taking into account the financial income and taxes, the Group recorded a net loss of - 3.2 M€ for the first half of 2010, against a net loss of -5.1 M€ in 2009 for the same period.

## II. Key elements of consolidated balance sheet at June 30th 2010

ASSETS			LIABILITIES		
Millions of Euros	June 30 2010	December 30 2009	Millions of Euros	June 30 2010	December 30 2009
Fixed Assets	19,7	21,4	Total shareholder's equity	33,0	30,2
Inventories	13,5	11,4	Non current financial debts	6,5	7,9
Trades receivables	17,8	12,0	Current financial debt (1)	20,3	9,7
Others assets	7,3	8,6	Trade payables	10,4	11,3
Cash and cash equivalents	24,9	20,8	Other provisions and current liabilities	13,0	15,2
<b>Total Assets</b>	<b>83,2</b>	<b>74,2</b>	<b>Total Liabilities</b>	<b>83,2</b>	<b>74,2</b>

(1) Including 14.3M€ of bank overdraft in 2010 vs 5.1 M€ in 2009

The net inventory value as of June 30, 2010 increased by 2.1 M€, this growth is explained by the fairly low level of inventory at the end of December 2009 due to the year-end restriction policy on working capital management. Inventory levels are now in line with the activity.

Net cash at 30 June 2010 amounts to 10.6 M€<sup>1</sup>, down of 5.1 M€. The decrease is explained as follow :

- ARCHOS achieved in May 2010 + 6 M€ equity raise,
- ARCHOS has invested for 1.9 M€ (1.6 M€ are for Research and Development investments).
- Cash flow from operations during the first half of the year has reached 8.5 M€: this is explained by the increase in inventory levels by 1.9 M€, the increase in receivables for 5.8 M€ (including 2.7 M€ corresponding to the amount owed by the Chinese partner who bought the stock components for Gen 7 paid in July 2010), the business cash consumption of 1.7M€ in reduction compared to prior year. The research and development tax refund credited by 2010 reduced the impact of cash consumption by 1.8M€.

## III. Perspectives

The Group's business strategy has been extensively revised to reduce the inherent risks.

As part of the turnaround strategy of the Group, the company focused on the following actions: range development, continuous innovation, new distribution networks research and implementation of new industrial organization with a turnkey value chain organization with several Asian partners.

In terms of product range, ARCHOS is now selling products that cover a market price segment much

<sup>1</sup> Net cash: 24.9M€ of Cash and cash equivalent – 14.3M€ of bank overdraft booked in Current financial debt.

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wider (\$30 to \$500 ) and keeps on innovating on the market. The launch of the new ARCHOS 7 "Home tablets" has received a good response from the public and ARCHOS has already announced a complete range of Android tablets for September.

Given the uncertainties currently facing the business prospects ARCHOS will not provide forecasts.

For similar reasons, ARCHOS will not communicate specific guidance in terms of gross margin. The current objective is to maintain the average margin level of its sector, that is to say a level of gross margin between 20% and 25%.

*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.*

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## 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 uncompromised access to the Internet, movies, photos, video, music and television anytime, anywhere. Now, ARCHOS introduce Internet Tablet, PC Tablets, Netbooks and MP3/MP4 Player. 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](http://www.archos.com).*

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