LEXIBOOK®

Courtabœuf, 30th June 2017

2016-17 ANNUAL RESULTS:
A TRANSITIONAL YEAR AHEAD OF A RETURN TO GROWTH AND PROFITABILITY

- **Operating loss limited to -€2.8m (vs. -€0.05m in 2015/2016)**
  - Limited gross margin decrease due to Group's fabless business model and despite reduced trading and destocking
  - Operational costs declined by almost €4m due to €2.8m savings already achieved from the €3.6m full year rationalisation plan
- **Net profit (-€4.1m) impacted by exceptional items with no impact on cash**
- **Significant decrease in inventory and net debt**
- **2017-2018 outlook:**
  - Back to growth and profitability
  - A good start of the financial year

Lexibook (ISIN FR0000033599) announces today its annual audited financial results for the financial year ending 31st March 2017.

In millions of euros	31st March 2017	31st March 2016
Revenue	32.3	47.8
Operating Profit (Loss)	(2.8)	(0.05)
Net Profit (Loss)	(4.1)	(0.4)

Aymeric Le Cottier, Lexibook's CEO commented: "2016 is a transition year which marks the start of a "post-tablet" era for Lexibook. We have deeply reshaped the Group with a balanced product-mix across solid and profitable market segments. We have significantly reduced the Group's break-even point thanks to an ambitious cost savings program with full impact expected as soon as 2017/2018.

We have strengthened our European leadership by focusing on the most valuable licences and by leveraging both our product portfolio and our customer focus thanks to recently signed multi-year licensing agreements such as Scrabble and Nickelodeon Junior®.

The tablet business has now stabilised and we will launch new own-brand product ranges by the end of 2017 with the support of our strong distribution network.

The beginning of this year started on a sound note and with substantial movie releases expected this year, we are confident to return to growth and profitability in 2017-2018."

Key numbers

in thousand Euros	31 March 2017	31 March 2016
Net turnover	32,258	47,837
Gross Profit*	13,093	20,042
Gross margin as % of revenue	40.6%	41.9%
Operating expenses	15,919	20,092
Operating profit	(2,826)	(50)
Operating profit as % of revenue	(8.7%)	(0.1%)
Financial income	(389)	(201)
Income tax expenses	(846)	(117)
Net Profit	(4,061)	(368)

Free Cash Flow	1,107	(65)
Net Debt	9,633	12,078
Shareholder Equity	3,123	4,536

**Gross profit is defined as revenue less year-end discounts, direct purchases, incidental costs on purchases and provisions.*

The full set of financial results for the year ending 31st March 2017 is available in Lexibook registration document available on www.lexibook.com and on the AMF website.

Revenues in decline

In 2016/2017, the Group's revenues declined by 32.6% both at current and constant exchange rates. Revenue from licensed products now accounts for 73% of total revenues, whereas own-brand products (including tablets) have stabilised at around €9m and accounted for 27% of revenue as of 31st March 2017.

The 2016/2017 licensed products business was affected by disappointing movie releases connected to the Group's main licenses and compares unfavourably to the strong performance of 2015/2016 which benefited from the successes of Frozen, Despicable Me and Stars Wars. Tablet sales significantly decreased while the Group focused on rationalising its portfolio of products and destocking old ranges ahead of the launch of new 2017/2018 collections.

Limited decline of gross margin to 41% thanks to the fabless business model and despite decreased trading and destocking

In 2016/2017, gross profit amounted to €13.1m versus €20m in 2015/2016, impacted by a decreased level of activity and destocking of old products. Gross margin was relatively stable at 41% of revenue compared to 42% in 2015/2016 thanks to the Group fabless business model. Excluding the impact of destocking, gross margin would have amounted to 46% of revenue in 2016/2017.

Currency adjusted gross margin was stable at 41.2% at 31st March 2017 compared to 42.2% at 31st March 2016 (see Appendix 1).

Gross margin adjusted for advertising costs and royalties represented 26.5% of revenue for year-end 31st March 2017 compared to 30.5% for year-end 31st March 2016 (see Appendix 1) due to a product mix with an increasing share of revenue of licensed products. Advertising costs were stable (around €2m) whereas the ratio Royalties / Licensing revenue was relatively stable at 12% due to the performance of the licensing portfolio (limited impact of minimum guarantee).

Operating costs decreased by almost €4m, due to the fixed costs rationalisation program

For year-end 31st March 2017, operating costs decreased by €4m to €16m compared to €20m for year-end 31st March 2016. The Group benefited from €2.8m cost savings resulting from the implementation of a fixed costs rationalisation program expected to generate €3.6m savings on a full year basis.

Staff related costs decreased €1m as the workforce decreased by 25% to 79 people with 26 people leaving the Group during the financial year. The Group also rightsized its promotion (TV advertising, catalogues, conferences) and logistics support (shipping and customer service rightsized following tablets sales decline), generating €2.5m in savings.

Operating loss limited to -€2.8m

Operating results restricted to -€2.8m in 2016/2017 vs. -€0.05m in 2015/2016 despite a decline in sales and destocking, due to the fabless business model, the performance of the licensing portfolio, as well as the first positive impact of initiatives to lower break-even point.

Net Profit impacted by exceptional items with no impact on cash

Net income amounted to -€0.39 vs. -€0.2m in 2015/2016, mainly due to adverse GBP/EUR and USD exchange rates caused by Brexit. Indeed, the unwinding of GBP/EUR positions impacted other items of net profit (before taxes) for €220k for 31st March 2017.

Tax expenses for the financial year totalled €846k due to deferred tax assets capitalized in the balance sheet of €853k – with no impact on Group cash position – due to losses incurred in the financial year 2016/2017.

As a result, operating profit was -€4.06m for year-end 31st March 2017 vs. -€0.37 for year-end 31st March 2016.

Significant decrease in inventory and net debt

During the financial year, the Group generated free cash flow of €1.1m vs. -€0.07m in 2015/2016 due to old products destocking and higher R&D efficiency (range effect and Android development). The Group also successfully launched a €2.5m capital increase, reimbursed a €1.1m short term loan and a €0.28m loan from Oseo.

For year-end 31st March 2017, the Group' inventory was historically low at €6.4m, down by €2m in 1 year and by 40% in 2 years.

As of 31st March 2017, the Group's net debt was €9.64m vs. €12.1m on 31st March 2016. This change is mainly due to improved net cash flow (+€1.1m), changes in factoring (-€1.14m), as well as the reimbursement of short-term debt (-€190k).

The Group confirms that it has all the bank financing necessary to fund the growth for 2017/2018.

As of 31st March 2017, equity capital was strengthened to €3.12m with a successful €2.47m capital increase on 26th May 2016. As of 31st March 2017, equity capital was composed of 6,249,849 fully paid-up shares representing 8,287,219 voting rights as 2,037,370 shares were registered for more than two years.

Recent events

New licensing deals

In May and June 2017, the Group announced new licensing deals which reflect the portfolio diversification towards high-audience children TV series and adult games, reinforcing Lexibook's position as a European leader.

Lexibook announced a multi-year licensing deal with Larousse for the Scrabble® official dictionary and with Mattel for the use of the Scrabble® brand in France. The Group also announced a new collaboration with Nickelodeon Junior® through a 3-year contract covering the development and marketing of franchised products of Paw Patrol® in the following categories: game consoles, audio, clocks, video, communication and tablet accessories.

Free warrant issue

On the 30th May 2017, Lexibook issued 6 249 849 free share warrants on the basis of one warrant for each share. Details are available on the company's website (https://www.lexibook.com/en/about-us/investor-relations.html)

Assuming all warrants are exercised, a maximum amount of 2,403,788 new shares would be issued, representing a maximum share capital increase of 4,230,667 euros.

Thanks to this fund-raising program, Lexibook will have the additional resources required to strengthen its balance sheet and finance seasonal peaks in its business. The Group will gain additional agility to pursue its strategy based on organic growth and launching new products in new segments in France and globally.

Outlook

In 2017/2018, the Group's strategy will focus on launching own-brand products while continuing the development of its licensing activities which offer higher visibility through multi-year contracts. The Group will also leverage its portfolio of major licenses and its capacity to expand towards new products and new geographic markets.

The Group will benefit from substantial movie releases related to its licenses with the release of multiple blockbusters such as: Despicable Me and Spiderman in July, Cars 3 in August 2017 and Star Wars episode 8 in December 2017. Through the year, the Group will launch the associated range of products and its own brand products.

In this context, the Group anticipates to increase revenue in 2017/2018 and to generate a positive operating profit as a result of its activity development and the full impact of its €3.6m savings program.

2017/2018 Financial calendar

- Q1 2017-2018 Revenue: 12th July 2017
- Annual General Meeting of Shareholders: 14th September 2017

About Lexibook

The company LEXIBOOK designs and commercialises a complete range of consumer electronic goods: owner of 43 trademarks, LEXIBOOK is the European leader in licensed consumer electronic goods. Lexibook's share capital comprises 6,249,849 shares listed on the Alternext market in Paris (Euronext). ISIN: FR0000033599 – ALLEX ; ICB: 3743 – Consumer electronics. For additional information: www.lexibook.com.

Contacts

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Appendix 1: gross profit, restated gross profit and restated net gross profit

In thousand €	31st March 2017	31st March 2016
Net revenue	32,258	47,837
Cost of goods sold	(19,165)	(27,795)
Gross Profit	**13,093**	**20,042**
Gross Margin as % of revenue	***40.6%***	***41.9%***
Foreign currency gains	188	408
Air freight and Customer Service rebilled to plants	-	265
Restated gross profit	**13,281**	**20,185**
Restated gross margin as % of revenue	***41.2%***	***42.2%***
Advertising contribution	1,881	2,226
Royalties	2,839	3,385
Restated net gross profit	**8,561**	**14,574**
Restated net gross margin as % of revenue	***26.5%***	***30.5%***