

**FIRST HALF-YEAR RESULTS 2017-2018:
STRONG IMPROVEMENT IN PROFITABILITY DESPITE DECLINE IN TURNOVER**

- **Strong increase in operating income for H1 with €469.5k versus €14.4k in 2016/2017**
 - o Operating expenses lowered by nearly €2m during H1 and expected to exceed the €3.6m originally announced for the full fiscal year
- **Revenue contracted to €13.3m during H1**
 - o Refocusing of commercial strategy towards products and clients with higher margins. Non-renewal of non-profitable seasonal operations in Q2
- **Net income (- €81.5k) up €300K despite significant negative impact of currency hedging**
- **Significant decrease in inventory level and debt**
- **Outlook for 2017/2018:**
 - o A well-positioned second half with an annual order book already at €26.8m including invoicing for H1
 - o Return to profitability confirmed with an expected annual revenue near the 2016-17 level
- **Reminder of outstanding warrants exercise conditions up to and including November 30, 2017**

Lexibook (ISIN FR0000033599) announced today its unaudited half-year financial results for the period ended September 30, 2017.

<i>In thousands of euros</i>	H1 2017/18	H1 2016/17
Revenue	13 275	16 045
Operating Income	469.5	14.4
Net Income	-81.5	-381.1

Aymeric Le Cottier, Chairman of the Executive Board of Lexibook commented: "The marked recovery in the Group's profitability in the first half of this year is a strong sign that, following the reorganization conducted in 2016, Lexibook is fulfilling its objective to rebuild a balanced and structurally profitable portfolio of products, along with a significantly lower cost base.

The Group can now turn its attention to profitable growth objectives and intends to capitalize on its strong positions in licensed activities as well as on a solid distribution network in Europe to develop its brands: iParty® (Karaoke and connected, portable musical products) which continues to grow while Decotech®, specializing in innovative and connected lighting, is launched this month.

The licenced products activity should be solid thanks to the heavy schedule of movie releases during the first fiscal half-year, while licensed Scrabble® products which were launched this summer for an adult French and English-speaking audience had a very promising start."

Key Figures

<i>In thousands of euros</i>	H1 2017/18	H1 2016/17
Revenue	13 275	16 045
Gross Margin*	6 147	7 673
<i>Gross Margin as % of Revenue</i>	46.3%	47.8%
Operational Costs	(5 678)	(7 659)
Operating Income	469.5	14.4
<i>Operating Income as % of Revenue</i>	3.5%	0.1%
Financial Income	(750)	(407)
Tax	199	11.5
Net Income	(81.5)	(381)

Free Cash-Flow / Cash Generation	3 817	2 827
Net Debt (Financial Debt – Active Cash-Flow)	7 768	12 685
Equity	3 613	6 745

*Gross margin is revenue minus year-end discounts, direct purchases, incidentals on purchases and inventory provisions.

The complete financial statements for the six months ended September 30, 2017 are available in the half-year management report on the Lexibook website.

A drop in Turnover

During the first half of 2017-2018, the Group's activity reached €13.3m down 17.3%. Revenue from licensed products accounted for 66% of Group revenue and 34% for own brand products including tablets vs. 76% and 24% in 2016-17.

This year's decision to not renew a certain number of seasonal commercial operations that proved to be unprofitable during the 2017 season led to a decrease in sales of €2m during the last quarter, nonetheless allowing for a clear recovery of the operating margin.

Limited Decline in Gross Margin of 46.3%

The gross margin amounted to €6.1m versus €7.6m in 2016/2017, including an exceptional impact of €426k related to the destruction of after-sales inventories and the destocking of old products. As a percentage of sales, the margin was down to 46.3% over the year compared to 47.8% in 2016/2017 due to stability offered by the fables business model. Adjusted to account for the exceptional €426k, the margin would stand at 49.50%.

After deduction of advertising and royalties, the net margin amounts to 34.5% as of September 30, 2017 compared to 35.3% as of September 30, 2016 (see Appendix 1). Advertising expenses are near stable over this half-year, while the Royalties/Turnover ratio is down significantly to 7.8% (9.2% in 2016/2017) due to the higher contribution of proprietary brands and the lower impact of clauses regarding guaranteed minimums for licensed activities.

Operating income rose sharply to €469k and operational costs declined due to the savings program initiated in 2016-2017

Operating income rose sharply to €469k in H1 compared to €14k for the previous year.

Operating costs decreased to €5.7m in H1 compared to €7.7k in 2016-2017. The Group benefited from nearly €2m in fixed cost savings following the reorganization plan that was launched last year.

Staff costs were down by €0.6m, while the streamlining of promotional materials (TV advertising, catalogs, exhibitions), logistics (transport and after-sales service), fees and banking services generated a total savings of €0.7m.

Net income impacted by unfavorable currency hedging

The financial result amounts to - €750k compared to - €407k in 2016/2017, despite a reduction in the cost of debt to €211k (- €294k in 2016-2017), due to the very unfavorable development of EUR/USD foreign exchange hedges posting a loss of close to - €0.4m: to uphold its budgeted rate, the Group has chosen to provide 100% of its USD requirements over the year on EUR/USD hedges at an average of 1.1449, with a rate of 1.1806 on 30/09/2017.

Taxes for the period represent a profit of €199k related to deferred tax on IFRS restatements without activation of new deferred tax.

Consolidated net income amounted to - €81.5k on 30th September 2017, up €300k vs. - €381k on 30th September 2016.

Significant decrease in inventory level and indebtedness

In H1, the Group generated cash of €3.8m, boosted by a positive cash flow of €0.9m, a positive inflow of investing activities (+ €0.4m) and refinancing of its short-term debt (€2.2m on the factoring item). Lexibook also raised €649k of share capital related to the exercise of warrants by certain shareholders and repaid some long-term credit lines (BPI).

The Group's inventories are at a historically low level for an H1 at €9.8m, which is down by nearly €2.5m over one year. The structural reduction of stocks should now continue but at a slower pace.

The Group's net debt has dropped substantially to €7.8m as of September 30, 2017 compared to €12.7m for September 30, 2016. The Lexibook Group also confirms that it has all the necessary bank loans to finance its 2017/2018 campaign.

As of September 30, 2017, shareholder equity amounted to €3.6m and share capital consisted of 6,622,519 fully paid-up shares.

Deadline for the Lexibook warrant as of November 30, 2017

As a reminder, on May 30, 2017, Lexibook issued 6,249,849 free warrants giving rise to the potential creation of a maximum number of 2,403,788 shares at an exercise price of €1.76. The closing of the subscription period for warrants is set at 30/11/2017 (inclusive).

At any time up to and including November 30, 2017, the exercise of 13 warrants entitles the holder to subscribe to 5 new Lexibook shares at a unit price of €1.76. Any warrant exercise order must be made with the financial intermediary of the warrant holder, accompanied by payment in cash no later than November 30, 2017 inclusive. Warrants that have not been exercised by November 30, 2017 inclusive will be canceled.

Between June 2017 and September 2017, Lexibook issued a total of 372,670 new shares, for a total amount raised of €655,899.2. The share capital is therefore increased to €3,311,259.50 as of September 30, 2017.

Prospects 2017-2018

In the second half of 2017-18, Lexibook anticipates a turnover for the fiscal year close to that of 2016-2017 and an increase in operating income, supported by the full effect of the cost-rationalization program, initially estimated at €3.6m and expected to be exceeded over the course of the full year.

The Group's strategy will remain focused on the development of its own products, while continuing to develop its licensed business, which provides greater visibility through multi-year contracts.

The Group is expected to continue to benefit from substantial cinematographic developments on its portfolio licenses throughout the launch of many blockbusters this year: "Despicable Me 3", Spiderman, Cars 3 and Star Wars Episode 8 (planned for December 2017).

Financial Calendar 2017/2018

- 3rd quarter sales revenue 2017-2018: January 15, 2018

About Lexibook

The LEXIBOOK company designs and markets a full range of consumer electronics: Owner of 43 trademarks, LEXIBOOK is the European leader in licensed consumer electronics. The share capital of Lexibook is made up of 6 622 519 stocks on the Alternext stock-exchange in Paris (Euronext). ISIN: FR0000033599 – ALLEX; ICB: 3743 – Consumer electronics. For more information about the Lexibook company: www.lexibook.com.

Contact

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Appendix 1: Gross Margin; Net Gross Margin of Advertising Expense and Royalties

In thousands of euros	On 30/09/2017	On 30/09/2016
Net Revenue	13 275	16 045
Cost of Goods Sold	(7 128)	(8 372)
Gross Margin	6 147	7 673
<i>Gross Margin as % of Revenue</i>	46.3%	47.8%
Advertising Expenses (AE)	(528)	(530)
Royalties	(1 033)	(1 476)
Net Margin of AE & Royalties	4 586	5 667
<i>Net Margin of AE & Royalties</i>	34.5%	35.3%