



Courtaboeuf, November 22nd 2016

RESULTS FOR THE 1st SEMESTER 2016-2017 OPERATING RESULTS BROKE EVEN THANKS TO THE COST-REDUCTION PLAN AND INCREASE OF PROFIT MARGIN DESPITE DOWNTURN

In Euro K - unaudited data	SEPTEMBER 30th 2016 6 MONTHS	SEPTEMBER 30th 2015 6 MONTHS
Net turnover	16,045	21,457
Other current income	255	321
Operating revenue (I)	16,300	21,778
Purchase cost of goods sold	-8,372	-12
Payroll expenses	-2,422	123
External services	-3,264	-2,817
Taxes (excluding corporation tax)	-80	-3,835
Other operating income and expenses	-2,147	-73
Operating expenses (II)	-16,286	-21,065
Operating results (III= I + II)	14	73
Cost of net debt	-294	-276
Other financial income and expenses	-176	-196
Other (losses) / net profits	63	67
Financial income (IV)	-407	-405
Earnings before tax (V = III + IV)	-393	309
Income tax	11	250
Net income	-381	559

1. Turnover and margin:

The level of activity is relatively the same on domestic sales but the overall turnover comes out at -26% due to a decrease in HK FOB sales. These were impacted by the non-renewal of two major promotional campaigns: one on tablets in the USA, and the other one on educational robots in Poland. Other activities are overall stable in the quarter.

The turnover may have risen at a consistent rate by 0.49%.

The table below shows the gross margin and the gross margin adjusted by the impacts of currency which are included in financial income and the exceptional items included in the gross margin:

	Notes	SEPTEMBER 30th 2016 6 MONTHS	SEPTEMBER 30th 2015 6 MONTHS
Net turnover		16,045,108	21,456,928
Purchase cost of goods sold		-8,372,356	-12,123,034
Gross margin		7,672,752	9,333,894
Gross margin rate	19	47.8%	43.5%
Net currency impact		-105,465	-118,184
Air freight and Customer Service rebilled to plants			0
Restated gross margin		7,567,287	9,215,710
Restated gross margin rate		47.2%	42.9%
Advertising allowance		530,255	628,292
Royalties		1,475,554	1,621,174
Restated cash flow		5,561,478	6,966,244
Restated cash flow margin		34.7%	32.5%

Lexibook confirms refocusing on most profitable clients and abandoning clients considered as non-priority, and also confirms the cost reduction plan held in 2015 and reinforced in 2016. Priority given to cash flow management and rationalization, contributing to reinforce the restated cash flow margin: with an increase by 2.2 points at 32.5% on 30 September 2015 to 34.7% on 30 September 2016.

2. Operating profit:

The level of operating profit, diminished of 0.7 M€, mainly lies in the level of activity of the 1st semester with on one hand, a gross margin of 1.66 M€ less and on the other hand, costs saved on payroll expenses for 395 K€, external services for 571 K€, and other leadership positions are under control.

3. Financial income:

The financial income is stable. The exchange currency impact over the period (-105 K€) hides an exchange loss of 180 K€ on our last positions in GBP (anticipated on provisions at 31.03.2016 for 176 K€) and exchange gain of 75 K€ on our USD transactions.

Taxes for the period represent a profit of 11 K€ tied to the changes in value of deferred tax assets (see Note 20).

In this context, the net consolidated income as of 30 September 2016 stands at -381 M€ to a profit of 559 M€ on 30 September 2015.

4. Conclusion:

The success of the capital increase on 26 May 2016 contributes to reinforce the capital equity of the Group by 2.47 M€ on which 0.64 M€ as capital and 1.83 M€ as premiums.

The equity capital, including losses on the first semester 2016-2017 of 381 K€, stands at 6.7 M€ on 30 September 2016 to 4.5 M€ on 31 March 2016.

The net debt amounts 12.7 M€ on 30 September 2016 to 12.1 M€ on 31 March 2016. This change mainly results from an improvement of the Group net cash flow (-2.8 M€) and growth after factoring, tied to the season for 3.5 M€.

5. Prospects:

The Group starting from 2015 a cost reduction plan which effects are visible throughout the year 2016-2017. This plan applies to all departments of the company in France and in Hong Kong and aims at increasing efficiency in each department and the overall profitability. It is committed to reduce the number of products in order to boost volumes per reference and reduce its inventory level.

The Group intends to consolidate its position as leader on the licensed electronic market for kids based on the 2015 promising segments. As a matter of fact, Lexibook is currently marketing the second generation of licensed audio products, a new range of music instruments and new game consoles.

The Group reinforced its portfolio of licenses with new ownerships among which “Ice Age®”, “Finding Dory®”, “Hello Kitty®” and “Chica Vampiro®”.

Lexibook is currently showing its new products under a new promising license: Disney’s “Soy Luna®”. This license will complete Lexibook offer and consolidate the company’s leading position on its product categories in Europe.

Two new 4th generation tablets were also launched in October. Lexibook relies on sales development of tablet and phones accessories segment, under the Group main licenses, as well as on two new promising product categories:

- audio products for party under a new umbrella brand: iParty®.licensed range of cell phones for preteens.All these elements may allow the Group to consider 2016 as a consolidation year and a way back to a positive operation income despite an expected decrease of the level of activity.

6. Application of the going concern principle

Discussions with bankers in regards to credit lines renewal continue. The Group hopes to finalize discussions before the end of the year in order to start year 2017-2018 at ease, shaping up to be a promising year for the upcoming movies of the main licenses, which licensing agreements have already been signed with the Group.

Since the company’s equity capital were reinforced up to 1.78 M€ in August 2015 and to 2.57 M€ in May 2016, the Group considers that all necessary conditions are met to apply the going concern.

The Group’s analysis in regards to the going concern did not result in identifying hints of specific value loss that may lead to write down its assets.

Next communication release: Turnover Q3 2016-2017 on February 15th, 2017

LEXIBOOK Contact – David MARTINS - +33 1 73 23 23 23 - davidmartins@lexibook.com
Lexibook share capital is made of 6,249,849 quoted shares on Alternext Paris market (Euronext).
ISIN: FR0000033599 – ALLEX ; ICB : 3743 – Consumer electronics
Access all financial information: www.lexibook.com
Access all financial information at www.lexibook.com