

Record revenues and income from operations in 2018

- Revenues: €282.6 million (+4%)*
- Income from operations: €40.2 million (+11%)*
- Net income: €28.7 million (-2%)
- Free cash flow: €21.6 million
- Net cash: €102.2 million
- Dividend** : €0.40 per share (+5.3%)

* Like-for-like

** Proposed to the Annual Shareholders' Meeting on April 30, 2019

In millions of euros	October 1 – December 31		January 1 – December 31	
	2018	2017	2018	2017
Revenues	75	71.5	282.6	277.2
<i>Change like-for-like (%)⁽¹⁾</i>	+4%		+4%	
Income from operations	12	10.2	40.2	39.3
<i>Change like-for-like (%)⁽¹⁾</i>	+11%		+11%	
Operating margin (in % of revenues)	16%	14.3%	14.2%	14.2%
Net income	8.6	9.2	28.7	29.3
<i>Change at actual exchange rates (%)</i>	-6%		-2%	
Free cash flow	12.8	14	21.6	33.2
Shareholders' equity ⁽²⁾			170.4	151.2
Net cash ⁽²⁾			102.2	98.1

(1) Like-for-like: 2018 figures restated at 2017 exchange rates

(2) At December 31

Paris, February 12, 2019. Today, Lectra's Board of Directors, chaired by Daniel Harari, reviewed the consolidated financial statements for the fiscal year 2018. Audit procedures have been performed by the Statutory Auditors. The certification report will be issued at the end of the Board of Director's meeting of February 26, 2019.

(Comparisons between 2018 and 2017 are like-for-like, unless stated otherwise).

Q4 2018: Strong growth in income from operations

Q4 was again affected by the consequences of the trade war between the United States and certain countries and regions of the world, which weighed on the investment decisions of many customers in all Lectra market sectors.

Q4 orders for new systems (€32.5 million) decreased by 3% (-€1.1 million) compared to Q4 2017.

Revenues (€75 million) increased by 4% (+5% at actual exchange rates).

Income from operations (€12 million) was up 11% (+17% at actual exchange rates). The operating margin (16%) increased by 1 percentage point like-for-like and 1.7 percentage points at actual exchange rates.

Net income (€8.6 million) was down €0.5 million (-6%) at actual exchange rates. The net income for 2017 included a net tax profit of €0.6 million in respect of non-recurring items.

Free cash flow totaled €12.8 million (€14 million in Q4 2017).

2018

Acquisition of the company Kubix Lab

On January 25 2018, the Company announced the acquisition of the Italian company Kubix Lab.

Founded at the end of 2015, Kubix Lab developed a cutting-edge technological offer called *Kubix Link*, which enables fashion brands to manage from end to end, within a single application, all product information deriving mainly from multiple IT systems (ERP, PDM, PLM, etc.).

Negative impact of euro appreciation

The appreciation of the euro against most currencies had a major negative mechanical impact on the full-year results, reducing revenues by €6.7 million (-2%) and income from operations by €3.3 million (-8%) at actual exchange rates, compared to like-for-like figures.

Challenging macroeconomic and geopolitical environment

The entire year was marked by a "wait-and-see" attitude by companies in all Lectra market sectors, particularly in automotive, following the protectionist measures announced and put in place first by the United States, and subsequently by Europe and China. In addition, the economy of those emerging countries whose currency had experienced a sharp decline was negatively affected, leading some customers to put their investment decisions on hold.

Income from operations in line with the Company's objectives

Orders for new systems (€121.7 million) were stable relative to 2017.

Revenues amounted to €282.6 million, up 4% (+2% at actual exchange rates). Revenues from new systems sales (€122.7 million) increased by 2% and recurring revenues (€159.8 million) by 6%.

Income from operations (€40.2 million) increased by 11% (+2% at actual exchange rates) and the operating margin by 14.2%, up 0.8 percentage points (stable at actual exchange rates).

These results are in line with the Company's expectations as set out on July 25 and then October 30, 2018. These results are a new historic record.

Net income (€28.7 million) was down 2% at actual exchange rates.

Free cash flow totaled €21.6 million (€33.2 million in 2017).

Impact of the sale of certain software in SaaS mode

In early 2018, the Company began selling some of its software on a subscription basis, using the Software-as-a-Service model.

The change to the SaaS model, which is at the heart of the Company's strategic roadmap, will contribute to the long-term development of the Company's activities and strengthen its recurring revenue, while meeting customers' expectations. In the short-term, however, it has a negative impact as revenues from software subscriptions are recorded progressively over several years.

Without this negative impact of €1.2 million on both revenues and income from operations in 2018, the income from operations would have increased by 14% instead of 11%.

A zero-debt Company, a particularly robust balance sheet

Consolidated shareholders' equity amounted to €170.4 million.

Cash and cash equivalents, as well as net cash position, totaled €102.2 million, after the disbursement of €7.1 million for the acquisition of the company Kubix Lab and the dividend payment of €12 million declared in respect of fiscal year 2017.

2017-2019 strategic roadmap: second progress report

The successful completion of the previous two roadmaps (2010-2012 and 2013-2016), combined with the success of the €50 million Investments for the Future program over the 2012-2015 period, have enabled the Company to build its new strategic roadmap for 2017-2019 on particularly robust foundations. This strategic roadmap—first published in the Financial Report dated February 9, 2017—constitutes the decisive initial stage in the evolution of Lectra over the next ten years. It sets out the fundamentals that will enable the Company to leverage the full potential of its new offers for Industry 4.0 from 2020 onwards. Its objectives are to reinforce Lectra's global leadership and ensure sustainable growth, while preserving its short-term profitability.

Overall, the second year of the roadmap was successfully completed according to plan. The progress reports corresponding to the different sections are summarized below.

Four major trends will shape Lectra's market sectors and geographic markets

These four main trends (Millennials, digitalization of business, emergence of Industry 4.0, and China's evolving economy) and their impact continue to constitute the main evolutions for the environment of Lectra customers. A growing number of companies are incorporating a digital component in their strategy.

The trade war between the United States and China does not call into question the fundamental change in the Chinese economy; the country's industrialists are advancing their digitalization transformation and incorporating the principles and technologies of Industry 4.0 in their processes, as the Chinese market confirms its potential for brands from across the globe.

Lectra, an indispensable player in Industry 4.0

Industry 4.0 has transformed how all businesses operate and create value. Lectra has everything required to achieve its ambition to be an indispensable player in Industry 4.0.

The year 2018 was highlighted by the launch in selected pilot countries of numerous innovative offers enabling Lectra's customers to implement the principles of Industry 4.0. These solutions constitute new product lines that meet customers' new requirements or that supplement existing software.

Lectra launched its first Cutting Room 4.0 for Made-To-Order upholstered furniture. The Company also announced the rollout, starting in early 2019, of *Fashion On Demand by Lectra*, a disruptive new offer that enables production of personalized garments at ready-to-wear production speed.

At the same time, Lectra launched *Virga*, its brand-new single-ply fabric cutting solution that analyzes the material, automatically adjusts the cutting layout and optimizes cycle times for plain and patterned fabrics, allowing simultaneous loading, scanning, cutting and offloading.

In addition, the first of a series of cloud-based applications conceptualized for product development and production teams are available: *Quick Estimate* and *Quick Nest*.

These offers will become available progressively worldwide in 2019.

Developing the business model for profitable, long-term growth

Lectra has made progress in all of its strategic objectives, which will continue to guide the Company's actions in 2019.

Unlike the previous year, the degraded macroeconomic and geopolitical environment in 2018 meant that not all the growth accelerators—China, leather, airbags, product personalization and digitalization of fashion and apparel businesses—contributed to the Group's dynamic activity; but they are expected to drive revenue growth in 2019.

Increased investment in the design and development of Lectra's offers

R&D investments came to €30.8 million in 2018. They increased by 11% and came to 10.9% of revenues. 346 people (20% of the Group's workforce) are involved in the design and development of the offer, 20 more than on December 31, 2017.

Use of available cash

In January 2018, the Company acquired Kubix Lab for €7.1 million. By combining its offerings with those of Kubix Lab, Lectra will provide its fashion customers with a revolutionary product information management platform.

The Company's cash position is sufficient to finance future targeted acquisitions.

Dividend raised to €0.40 per share

The Board of Directors will propose to the Annual Shareholders' Meeting of April 30, 2019 to increase the dividend to €0.40 per share (+5.3%) in respect of FY 2018. This dividend would represent a payout ratio of 44% of consolidated net income and a yield of 2.2% based on the December 31, 2018 closing share price.

2019 outlook

The Company entered 2019 with a particularly robust balance sheet and operating fundamentals, a new organization of its subsidiaries, and a strengthened Executive Committee.

An uncertain geopolitical environment

Still, the year ahead is fraught with unpredictability in light of persisting uncertainty regarding geopolitical factors and the threat of protectionism, amid growing fears of an economic slowdown. These considerations could continue to weigh on businesses' investment decisions.

Impact of exchange rates

The Company has based its 2019 objectives on the exchange rates in effect at year-end 2018, notably \$1.15/€1.

When converting 2018 results using the exchange rates retained for 2019, revenues are mechanically increased by €1.6 million and income from operations by €1.2 million, relative to the published results.

Growing impact of sales of certain software in SaaS mode

The Company has decided to sell its new software exclusively in SaaS mode. If the positive response to the new offer is confirmed, the volume of software sold in SaaS mode should show strong growth in 2019.

This change in sales model will have a positive impact on the Company's revenues and income from operations in the medium term. However, it has a negative impact on the Company's stated objectives for 2019, which are 1 to 2 percentage points lower for revenue growth, and 9 to 12 percentage points lower for

income from operations, than the comparable figures if all software were sold as perpetual licenses along with their associated maintenance contracts.

Financial objectives

In light of the above, the Company has set the objective of achieving revenue growth of 3% to 7% in 2019, like-for-like. Growth in income from operations before non-recurring items would then be down 4% in the low assumption for revenue growth, flat in the median assumption, and up 4% in the high assumption.

Without the impact of growing sales of software on a subscription basis, the objective for revenue growth would have been stated as 4% to 8% and the objective for growth in income from operations before non-recurring items would have been 5% to 16%.

With the exchange rates retained for 2019, the growth in revenues and in income from operations before non-recurring items, at actual exchange rates, would be 0.6 and 3 points higher, respectively, than the like-for-like figures.

The Company remains confident in its medium-term growth prospects

More than ever, the entire Company is focused on growing its sales activity. The new products launched in 2018 and those that will be released in subsequent years should make an ever-increasing contribution to this growth.

The Management Discussion and Analysis of Financial Conditions and Results of Operations and the financial statements for Q4 and the fiscal year 2018 are available on lectra.com.

First quarter earnings for 2019 will be published on April 29, 2019. The Annual Shareholders' Meeting will take place on April 30.

For companies that breathe life into our wardrobes, car interiors, furniture and more, Lectra is crafting the premium technologies that facilitate the digital transformation of their industry. Lectra's offer empowers brands and manufacturers from design to production, providing them with the market respect and peace of mind they deserve. Founded in 1973, today Lectra has 32 subsidiaries across the globe, serving customers in over 100 countries. With more than 1,700 employees, Lectra reported revenues of \$333 million in 2018. Lectra is listed on Euronext (LSS).

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