LECTRA®

4.0

Empowering customers
through industrial intelligence

2018 ACHIEVEMENTS

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, MANUFACTURERS
AND RETAILERS, FROM DESIGN TO PRODUCTION,
PROVIDING THEM WITH THE MARKET RESPECT
AND PEACE OF MIND THEY DESERVE.

Lectra's technological campus
in Bordeaux-Cestas

A REVOLUTIONARY NEW OFFER
FOR INDUSTRY 4.0

Daniel Harari's vision
Chairman and Chief Executive Officer

■ **RECORD RESULTS** DESPITE A DIFFICULT MACROECONOMIC AND GEOPOLITICAL ENVIRONMENT

As early as March 2018, we faced significant macroeconomic instability against the backdrop of a trade war. Despite the clear wait-and-see response from customers, we achieved another record year in terms of both revenues and income.

In this economic climate, it is more vital than ever for us to stay on course and continue to implement our Lectra 4.0 strategy, initiated at the start of 2017. We have adopted an even more cautious approach, while resolutely maintaining our investments in the future.

■ 2018: A YEAR MARKED BY THE LAUNCH OF MANY **INNOVATIVE SOLUTIONS**

Lectra's success is based on its long-term vision, and the new chapter being written today is built on particularly solid foundations. Our two previous roadmaps enabled us to develop our Lectra 4.0 strategy with the ambition of becoming an indispensable player in Industry 4.0.

Our 2017-2019 strategic roadmap is the first step in this Lectra 4.0 strategy. It is founded on an analysis of the major trends which already, or will soon, constitute major challenges facing our customers.

Since 2017, we have expanded our R&D teams, strengthened our skills in relation to cloud computing, the industrial Internet of things, big data and artificial intelligence, while transforming the design and development of our solutions and initiating trials of our new offers with customers.

"IN 2018, WE ACHIEVED THE TARGETS WE HAD SET FOR OURSELVES FOR THE SECOND YEAR OF OUR STRATEGIC ROADMAP."

In 2018, we launched in a number of pilot countries, a series of innovative offers enabling our customers to implement the principles of Industry 4.0. These offers result from nearly four years of research, the involvement of several hundred people and more than €30 million in fully expensed research and development investments. The full potential of these investments will be gradually reached over the coming years.

By deciding to sell our new software offer exclusively in Software as a Service (SaaS) mode, we have chosen to modify our business model to further develop our recurring revenues with a positive medium-term impact on turnover and operating income, while accepting a negative impact in the short term.

This approach also reflects our desire to place our customers' experience and success at the heart of how we think and operate. The ability to access our software in SaaS mode, as a subscription, gives our customers much greater flexibility in their operations.

"LECTRA'S DISRUPTIVE OFFERS LAUNCHED IN 2018 AND 2019 PROVIDE UNPRECEDENTED VALUE DESIGNED TO SUPPORT COMPANIES IN THE FASHION, AUTOMOTIVE AND FURNITURE INDUSTRIES IN THEIR IMPLEMENTATION OF INDUSTRY 4.0 PRINCIPLES."

▬ ON COURSE FOR **INDUSTRY 4.0**

Although 2019 also promises to be unpredictable, in view of persistent geopolitical uncertainties and the heightened risks of protectionism, our virtuous business model, our particularly robust financial structure, our new subsidiary structure and the strengthening of our Executive Committee all enhance our ability to achieve another year of growth and improved operational performance.

We will gradually roll out our new offers worldwide in 2019, and launch new offers the same year. We will know by the end of 2020 whether they are achieving the success they should, given the value they bring to our customers. While it is difficult to estimate the speed at which such disruptive offers will be adopted, these solutions and services should make an increasingly significant contribution to our medium-term growth.

All of us at Lectra are committed to ensuring the success of our new offers. We are confident that they will facilitate the anticipated transformation of the global fashion, automotive and furniture markets.
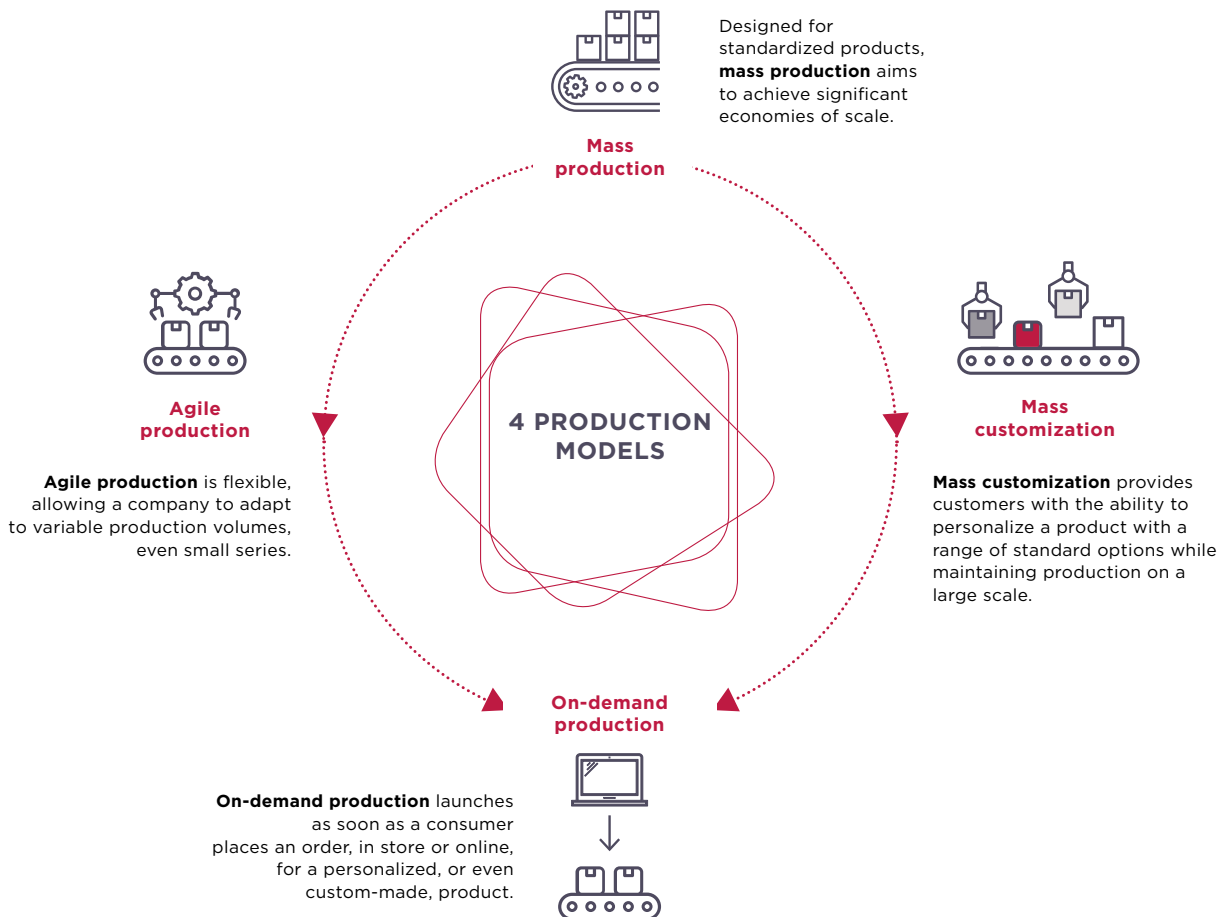
I am convinced that 2019 will be another very successful year for Lectra.

THE EMERGENCE OF THE FOURTH
INDUSTRIAL REVOLUTION

Industry 4.0 is transforming how all companies operate and create value. Industry 4.0 requires the integration of smart, connected solutions and services, and the replacement of production tools incompatible with connected factory concepts.

The connected factory is the driving force of the new product digital lifecycle, with consumers being the ones who will reap the greatest benefit. Flexible and versatile, it enables companies to simultaneously work on multiple production models or to easily switch from one to the other.

Production plants become capable of adapting to different modes of production, from mass production to on-demand production. The fourth industrial revolution will push more and more companies to create completely digitized value chains around their products.

Mass production

Designed for standardized products, **mass production** aims to achieve significant economies of scale.

4 PRODUCTION MODELS

Agile production

Agile production is flexible, allowing a company to adapt to variable production volumes, even small series.

Mass customization

Mass customization provides customers with the ability to personalize a product with a range of standard options while maintaining production on a large scale.

On-demand production

On-demand production launches as soon as a consumer places an order, in store or online, for a personalized, or even custom-made, product.

Production plants must become capable of easily switching from one production model to another, while maintaining the profitability of operations.

THE LECTRA 4.0
STRATEGY

Driven by a long-term vision, the Lectra 4.0 strategy, launched in 2017, aims to make Lectra an indispensable player in Industry 4.0.
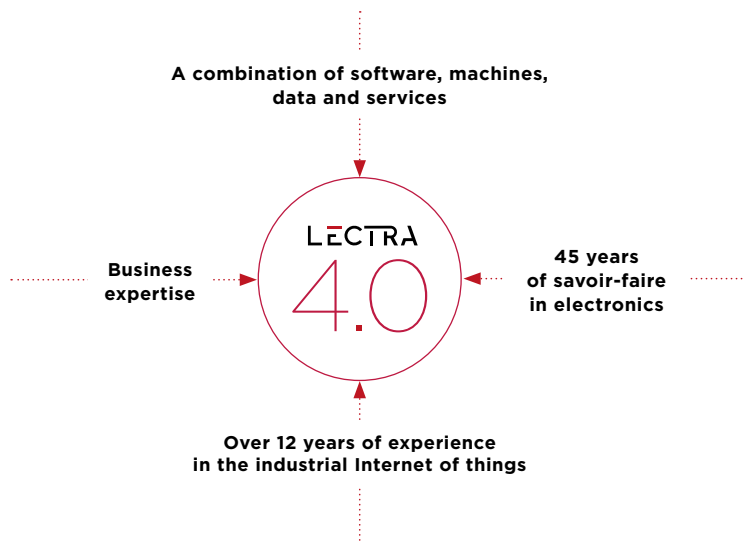
■ UNIQUE EXPERTISE

Lectra is the only company in its market with a complete offer that combines software, machines, data and services – four essential components for launching Industry 4.0 initiatives.

This is a major asset in helping Lectra serve its customers, and it is backed up by the business-line knowledge of its 540 consultants and solution experts across the entire value chain.

Lectra manages in real time the information coming from hundreds of sensors embedded in its cutting-room solutions, for which it has designed and developed the electronics.

Lectra has over 12 years of experience with the industrial Internet of things. Today, over 4,000 Lectra machines compatible with Industry 4.0 are in operation worldwide.

A combination of software, machines, data and services

LECTRA
4.0

Business expertise

45 years of savoir-faire in electronics

Over 12 years of experience in the industrial Internet of things

■ A STRATEGY THAT RESTS ON FOUR PILLARS

■

PREMIUM POSITIONING

CUSTOMER FOCUSED

THREE STRATEGIC MARKET SECTORS

4.0 SERVICES

Lectra puts its customers at the heart of its business, using a specific approach (value proposition, organization, process, etc.) for each of its three strategic market sectors: fashion, automotive, and furniture. For more than 12 years, Lectra has chosen a premium positioning. Today, the company is focused on 5,000 current and prospective customers. Lectra will gradually launch 4.0 services that, in adherence with Industry 4.0 principles, will combine its various areas of expertise and leverage data exploitation.

2017-2019
STRATEGIC ROADMAP

Lectra's 2017-2019 strategic roadmap constitutes the decisive initial stage in the company's evolution over the next 10 years. The roadmap lays the foundations that will prepare Lectra to take advantage of the full potential of its new offers for Industry 4.0 starting in 2020.

■ A BROADER RANGE OF OFFERS FOR **INDUSTRY 4.0**

In order to help its customers implement the principles of Industry 4.0, Lectra has made the decision to rapidly increase its investments toward designing and developing new Industry 4.0 offers. These new offers will form new product lines to meet the needs of the company's customers or will complement existing software and cutters.
Lectra is thus preserving prior investments made by its customers because the new solutions will be compatible with all cutters sold since 2007, as well as with almost all software, in the latest versions.
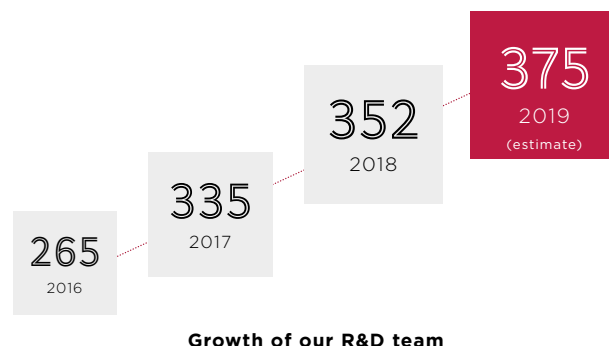
■ DEPLOYMENT OF **LECTRA'S 4.0 OFFERS**

In 2018, Lectra began launching its 4.0 offers in a few pilot countries. These offers will gradually become available in all countries in 2019 and will continue to be enriched in the years to come.
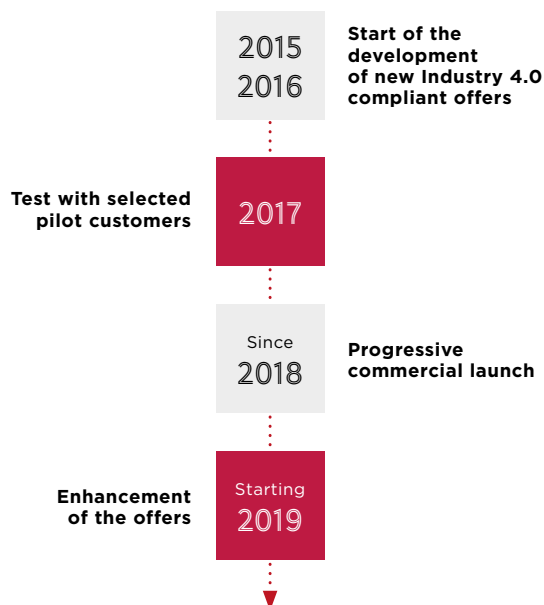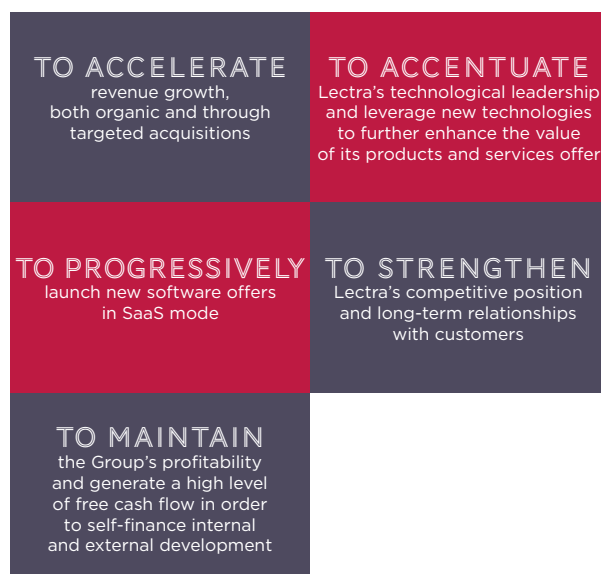
■ INCREASED INVESTMENTS DEDICATED TO THE DESIGN AND DEVELOPMENT OF OFFERS

In 2018, Lectra devoted nearly 11% of its revenues to R&D in order to deliver its new offers for Industry 4.0 at a sustained pace while continuing to enrich its existing offers.

375
2019
(estimate)

352
2018

335
2017

265
2016

Growth of our R&D team

■ STRATEGIC **OBJECTIVES**

TO ACCELERATE revenue growth, both organic and through targeted acquisitions	**TO ACCENTUATE** Lectra's technological leadership and leverage new technologies to further enhance the value of its products and services offer
TO PROGRESSIVELY launch new software offers in SaaS mode	**TO STRENGTHEN** Lectra's competitive position and long-term relationships with customers
TO MAINTAIN the Group's profitability and generate a high level of free cash flow in order to self-finance internal and external development	

2015 2016 — Start of the development of new Industry 4.0 compliant offers

Test with selected pilot customers — **2017**

Since **2018** — Progressive commercial launch

Enhancement of the offers — Starting **2019**

■ **GROWTH** ACCELERATORS

Beyond Industry 4.0 and SaaS offers, development of Lectra's business continues to rely on five growth accelerators.

1. CHINA

+14%

Chinese household consumption increased by 14% per year over the last 10 years, versus 3% on average worldwide.

China is on track to become the top consumption market in the world. Chinese brands are growing as their production becomes more upscale and as productivity increases, fueled by the government's plan called *Made in China 2025*. Lectra is positioning itself to help Chinese companies become more agile and creative by digitizing their processes, from creation to manufacturing, as well as their production facilities.

2. LEATHER

+22%

In 2018, automotive tanners cut 10 million more hides than they did three years ago—a 22% increase.

Leather manufacturers are seeing strong demand coming from the automotive and furniture industries. In these markets, 90% of cutting is not yet automated: a major opportunity for Lectra, whose offers for digitization of car interior and furniture covering processes and for automated cutting of leather enable greater flexibility, improve the yield from hides, reduce the cost per item, and free up skilled labor, which is becoming increasingly scarce, from having to perform low-value tasks.

3. AIRBAGS

+12M

There were 370 million airbags produced in 2017, which was 12 million more than in 2016.

Demand for airbags is driven by the increased number of cars on the road, by the growing number of airbags per vehicle—which has gone from 2 to 14—and by the development of new types of airbags to comply with increasingly stringent laws and to respond to increased demand for safety from consumers. Besides the increase in volumes produced, the replacement of aging cutting equipment represents strong potential in this market, as manufacturers constantly seek out ways to optimize their businesses. Lectra has been the world leader in this market for over 20 years.

74%

Among millennials and generation Z, 74% of people are interested in buying products that are personalized to their taste or made specifically for them.

Consumers' desire to express their individuality provides companies with new possibilities for gaining the loyalty of their customers, differentiating their offers and adapting their business models. The increased complexity of manufacturing that results from the customization of products forces companies to revamp and automate all of their processes as much as possible, from the point of sale to the point of delivery. Lectra's revolutionary technologies facilitate this transformation. Thanks to these technologies, it is now possible to create and produce customized clothing and couches at a cost close to that of mass-produced products.

4. THE CUSTOMIZATION
of products delivered to consumers

5. DIGITIZATION
of fashion companies

74%

of fashion company managers say their companies lack digital tools and capabilities.

Multiplying collections, shortening their time to market, and offering trendy products that meet consumers' expectations are all great reasons to optimize and connect value chains among all of the players that contribute to a product's life cycle, including brands, manufacturers, suppliers, and distributors. Aware that they're falling behind, these companies are reinventing their ways of operating by incorporating collaborative solutions and smart, connected services. Lectra's offers meet these expectations and go well beyond the immediate needs of its customers thanks to its expertise and innovative processes, which are perfectly synonymous with value.

A ROBUST BUSINESS MODEL
THAT HAS BEEN PROVEN EFFECTIVE

LECTRA'S BUSINESS MODEL RELIES ON THREE FUNDAMENTAL ASPECTS:

1   **Distribution of business** across various sector-based and geographical markets with different cycles, as well as a large number of customers worldwide.

2   **A balanced revenue** mix between revenues from new systems sales and recurring revenues.

3   The generation of a **significant annual free cash flow** and a structurally negative working capital requirement.

Cash and cash equivalents will be used to finance future targeted acquisitions. In the case of a significant acquisition, the company may take on debt up to half of its share capital.
As validation of Lectra's strong business model, the security ratio reached 86% in 2018. This key indicator of the company's performance measures the percentage of annual fixed overhead costs covered by gross profit on recurring revenues.

2018 revenues by type of business
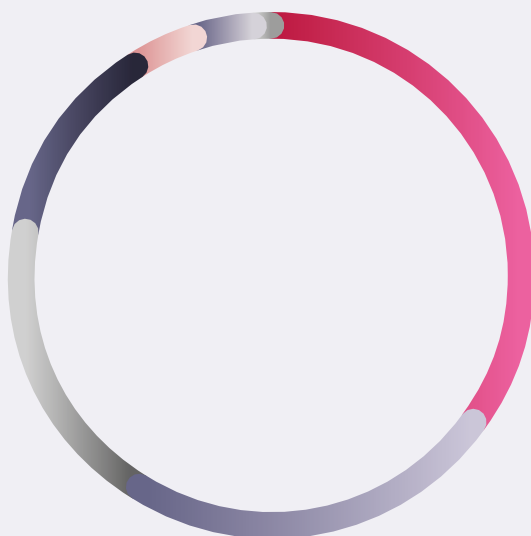
33% CAD/CAM equipment and accompanying software

24% Consumables and parts

20% CAD/CAM equipment and accompanying software maintenance and online services contracts

13% CAD/CAM and PLM software evolution and online services contracts

4% Training and consulting

5% New CAD/CAM and PLM software licenses

0.8% Miscellaneous

0.2% CAD/CAM and PLM subscription contracts

CAD/CAM: computer-aided design (CAD) and computer-aided manufacturing (CAM)
PLM : product lifecycle management software

AN EVOLVING BUSINESS MODEL FOR SUSTAINABLE, PROFITABLE GROWTH

In order to provide its customers with more flexibility, Lectra decided to establish a SaaS business model on a subscription or pay-as-you-go basis.

New software will be sold only in SaaS mode.

NEW SOFTWARE ·····▶ **SaaS**

For existing CAD and PLM software, Lectra gives its customers the choice between the current model (sales of perpetual licenses with contracts for updates and online services) and the SaaS mode.

EXISTING CAD AND PLM SOFTWARE ·····▶ **Perpetual licenses**

Embedded software for cutting equipment will continue to be sold in the form of perpetual licenses.

EMBEDDED SOFTWARE FOR CUTTING EQUIPMENT ·····▶

The implementation of SaaS mode for new software offers will further increase recurring revenues. The ramp-up of software sold in SaaS mode will take place gradually over the next four years.

IN ORDER TO ACCELERATE THE EXECUTION OF ITS STRATEGY,
LECTRA HAS DECIDED TO REVIEW THE ORGANIZATION
OF ITS SUBSIDIARIES, REFOCUS EFFORTS TOWARD THE SUCCESS
OF ITS CUSTOMERS WITH THE CREATION OF A CUSTOMER SUCCESS
DIVISION, AND STRENGTHEN ITS EXECUTIVE COMMITTEE.

1
-
Daniel Harari
Chairman
and Chief Executive Officer

2
-
Jérôme Viala
Executive Vice President

3
-
Maximilien Abadie
Chief Strategy Officer

4
-
Fabio Canali
President, Southern Europe
& North Africa

5
-
Olivier du Chesnay
Chief Financial Officer

6
-
Céline Choussy
Chief Marketing
& Communications Officer

7
-
Javier Garcia
President, Asia-Pacific

8
-
Laurence Jacquot
Chief Customer
Success Officer

9
-
Édouard Macquin
President, Americas

10
-
Holger Max-Lang
President, Northern & Eastern
Europe, Middle East

11
-
Véronique Zoccoletto
Chief Transformation
Officer

LECTRA'S VALUES

Deeply anchored in Lectra's culture,
four values inspire employees in their work
every day and guide the way that
they implement the Lectra 4.0 strategy.

CARING

Loyal and close to customers,
we personalize our approach
so that each customer feels
supported in the decisions
they make.

COMMITTED

With a zero-fault objective,
our teams are committed
to doing all they can to ensure
our customers optimize
the use of our solutions.

INSIGHTFUL

With a deep knowledge
of our customers' markets
and professions, we pour
our entire expertise into the
Group's solutions and services.

VISIONARY

Passionate about innovation,
our teams anticipate how
technological evolutions will
shape our customers'
business models.

2018

ACHIEVEMENTS

A LOOK BACK AT OUR SUCCESSFUL
LAUNCHING OF THE LECTRA 4.0 SRATEGY
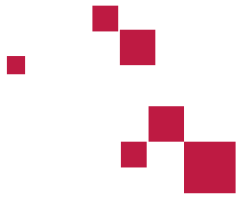
Lectra's technological campus
in Bordeaux-Cestas

STRENGTHENING
THE PRODUCT DESIGN
AND DEVELOPMENT TEAMS

Today, with all the necessary expertise at its disposal, Lectra is in a position to develop solutions for Industry 4.0 and accelerate the evolution of its software offer toward an offer largely composed of services. To do this, Lectra relies on its best practices for agility and works collaboratively with its customers.

Establishing and developing Lectra's products requires knowledge and a variety of skills in product marketing, user experience, different software programming languages, artificial intelligence, mechanical and electronic engineering, continuous integration, cloud technologies, data analysis, disruptive innovation, and more.
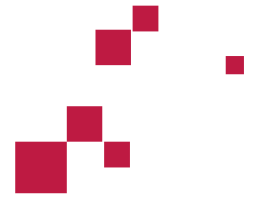
352
EMPLOYEES
dedicated to product design and development

20%
OF LECTRA'S WORKFORCE

THE INNOVATION LAB
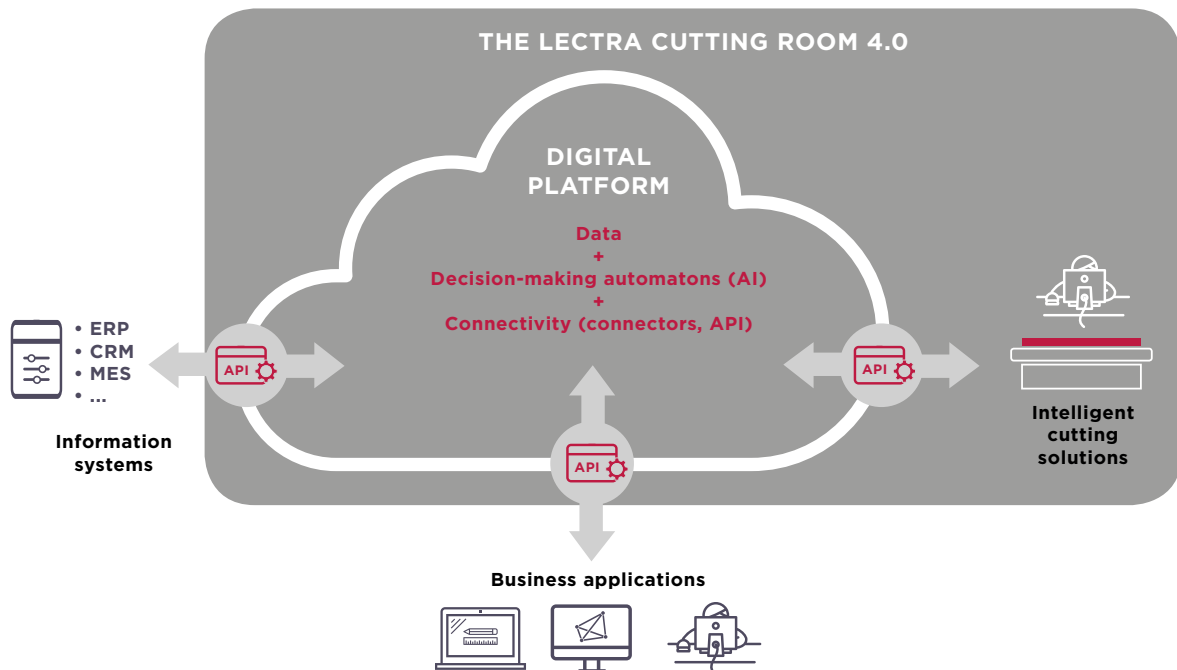## OPENS ITS DOORS

In October 2018, Lectra expanded and reinforced its process of innovation by opening its Innovation Lab. This place for experimentation and collaborative creation, based in Bordeaux-Cestas, is dedicated to exploring and designing disruptive solutions.

AS AN INCUBATOR FOR NEW IDEAS, this space is also a physical manifestation of Lectra's commitment to open innovation. Work groups bring together customers, start-ups, research centers, and Lectra talent to improve and stimulate Lectra's product roadmap across the entire value chain of the company's customers.

LECTRA'S CUTTING ROOM 4.0

After four years of development and coordinated efforts from marketing, R&D, and manufacturing teams, in April 2018, Lectra launched a leading-edge offer for the digitization of manufacturing processes: cutting room 4.0. Designed to meet the needs of Industry 4.0, the new offer enables companies to gradually incorporate more automation and intelligence into their manufacturing facilities by using data, artificial intelligence, the Internet of things, and cloud technology.

THE LECTRA CUTTING ROOM 4.0

DIGITAL PLATFORM

**Data
+
Decision-making automatons (AI)
+
Connectivity (connectors, API)**

• ERP
• CRM
• MES
• ...

Information systems

Intelligent cutting solutions

Business applications

A DIGITAL PLATFORM + SMART CUTTING SOLUTIONS

The cutting room 4.0 is made up of two distinct parts: a digital, cloud-based platform and smart cutting solutions.

• The digital platform manages data (on products, materials, and orders), connected cutting solutions, and automatic operating rules relying on artificial intelligence, all at the same time. It connects everyone involved in production, both upstream and downstream of the cutting room. Everything takes place in the cloud, where the data, algorithms, and applications are hosted. Thanks to connectors (APIs), a link is created between the data coming from customer information systems (ERP, CRM, and MES software), from applications in different departments (like materials management software), and from the cutters.

• Thanks to their hundreds of embedded sensors, Lectra's smart cutting solutions connect to the digital platform and execute its commands, adapting them to the reality of the material. Virga (fabrics) can already be controlled by the digital platform; the same will be true for Vector (thick layers of fabric) and then Versalis (leather) in the medium term.

MANAGE ALL PRODUCTION MODELS

In line with Lectra's tagline, Empowering customers through industrial intelligence, the cutting room 4.0 is a leading source of industrial intelligence for our customers. Eventually, it will be able to handle the various production models of Lectra's customers: mass production, agile production, on-demand production, and mass customization.

FURNITURE ON DEMAND
BY LECTRA

INDUSTRY
4.0
OFFER

GIVING NEW LIFE TO MADE TO ORDER

"THE LECTRA MADE TO ORDER SOLUTION WILL HELP US IMPLEMENT INDUSTRY 4.0 PROCESSES WHICH WILL ENABLE US TO PROVIDE QUICKER DELIVERIES AND MORE CUSTOMIZATION. IT WILL ALSO ALLOW OUR PLANNING DEPARTMENT TO WORK MUCH FASTER, MORE EFFICIENTLY AND AVOID A LOT OF MISTAKES IN THE FUTURE."

Ovidijus Jalonskis,
CEO of Vilmers, one of the first furniture manufacturers to use Furniture Made To Order

LECTRA LAYS THE FOUNDATIONS FOR A NEW ERA FOR FURNITURE MANUFACTURERS

In April 2018, Lectra unveiled its first form of the cutting room 4.0: the Furniture Made To Order solution, the first component of the Furniture On Demand by Lectra offer. Dedicated to on-demand production of upholstered furniture, this leading-edge offer incorporates the principles of Industry 4.0 to provide manufacturers with greater agility, production capacity, and profitability. Its modular design enables these manufacturers to handle increasing demand for customization of high-quality furniture at competitive prices, delivered within increasingly shorter timeframes.

Embodying the concept of industrial intelligence, Furniture Made To Order supports and encourages furniture manufacturers in their digital transformation by incorporating highly innovative methods and technologies. In production environments where orders are always different and where optimizing schedules and resources is complex, or even impossible, Lectra's new solution promotes maximum automation at every stage, from ordering to unloading. This is done while adhering to manufacturers' goals for performance and efficiency.

"LECTRA HAS CLEARLY UNDERSTOOD THE FUTURE DIRECTION THAT COMPANIES ARE HEADING IN, INCLUDING HOW THEY WILL LEVERAGE DATA AND CONTINUE TO GROW IN THIS AREA."

Dale Schiller,
Director of Distribution Systems,
Ashley Furniture
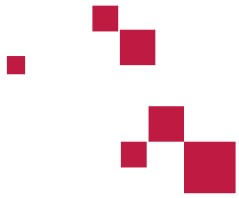
FASHION ON DEMAND
BY LECTRA

Lectra makes history with Fashion On Demand by Lectra, fashion's first end-to-end personalization offer. With 45 years of experience working with distinguished retailers, manufacturers, and brands throughout the world, Lectra has developed an integrated, comprehensive offer that enables these companies to define criteria and levels of customization for each article (changes to product characteristics, adjustments to sizing for custom fitting), then launch production without interfering with their other modes of production.

INDUSTRY
4.0
OFFER

MADE 4.0
CUSTOMIZATION
FASHION ON DEMAND BY LECTRA

■ MAKE CUSTOMIZATION
A NEW STANDARD
IN THE INDUSTRY

Fashion On Demand by Lectra provides a new, effective solution to a big challenge: producing customized, or even custom-fit, clothing just as fast as ready-to-wear fashion while maintaining profitability. This revolutionary offer relies on the principles of Industry 4.0 to automate all of the customization processes, from product development phases to cutting. Its design is the result of four years of research and development, as well as the work of a hundred experts.

The launch of the Fashion On Demand by Lectra offer came with a worldwide marketing campaign.

▬ GOING BEYOND PROCESSES INHERITED FROM **MASS PRODUCTION**

More and more fashion stakeholders are taking an interest in on-demand production, whose business model provides many advantages: make a business stand out and gain the loyalty of its customers by offering unique products that give them a feeling of exclusivity; avoid excess inventory and mark-downs, hallmarks of mass production; and lastly, improve cash and cash equivalents since the order is paid for by the consumer before production even starts.

While on-demand production provides an attractive business model, fashion companies wanting to adopt it may be slowed down by internal obstacles, such as rigid production processes designed for mass production, if they don't have the necessary technology to overcome those obstacles.

74%
of **Millennials & Gen Z** are interested in buying products that are personalized to their taste/ made specifically for them.

42%
have already **personalized** a product at least once for themselves.

Consumers are ready to pay a
20%
premium for a personalized product.

41%
of all age groups expressed an interest in purchasing personalized clothing.

FASHION FOR THE MASSES

Design > Develop > Send production order > Produce in bulk > Sell > WASTE

FASHION FOR THE INDIVIDUAL

CONSUMER > Design > Develop > Sell (Improve cash flow / Less costly inventory) > Send production order (Costs covered upfront) > Production on demand (Less waste) > CONSUMER

In the fashion industry, mass production has reached its limits. Its excesses, like the destruction of unsold merchandise, are very costly for brands and are no longer accepted by consumers. They now want customized, unique clothing. It's up to the manufacturers to revamp their processes to satisfy those consumers.

VIRGA

A 4.0 CUTTING SOLUTION

Virga, Lectra's brand-new cutting solution, was designed according to the principles of Industry 4.0. It played a central role in the 2018 launch of Lectra's cutting room 4.0 with the Furniture On Demand by Lectra and Fashion On Demand by Lectra offers.

▬ SMART AND CONNECTED,
VIRGA TAKES INNOVATION TO THE MAX

Adept at processing data, Virga automatically executes cutting commands sent by the digital platform and, a first in the world, adapts those commands to the characteristics of the material.

• **VIRGA ANALYZES THE MATERIAL** to take into account the spacing of the pattern and the distortion of the fabric for optimal cutting quality of single-ply fabric.

• **VIRGA TRANSMITS IN REAL TIME** the data produced by its hundreds of sensors to the Lectra digital platform, which analyzes them to create three major advantages: constantly evaluate the status of the cutter, track performance indicators for the cutting room, and fine-tune algorithms intended to optimize the material.

INDUSTRY
4.0
OFFER

▬ CUTTING JUST AS EASY
FOR PATTERNED FABRICS
AS IT IS FOR PLAIN FABRICS

Each step of the cutting process is designed for optimal productivity and maximum quality, whether the fabric is plain or patterned. This characteristic of Virga is unique in the cutter market and is a crucial advantage for manufacturers, who want to make sure that using complex materials doesn't hurt their productivity.

• THE SOLUTION ANTICIPATES and automates preparation work ahead of time to improve efficiency of the cutting line. Cycle times are then optimized thanks to the simultaneous loading of rolls, digitization of materials, cutting, and unloading of pieces.

• THE FLEXIBILITY OFFERED by Virga enables cutting room workers to handle last-minute changes in production orders by automatically adapting the model, material, or pattern. Manual intervention is limited, reducing stress and risks of operator error, allowing operators to focus on the most important tasks.

• VIRGA AN ENVIRONMENTALLY FRIENDLY SOLUTION: less waste thanks to better usage of materials, greater longevity of supplies, and cutting that requires neither plastic nor paper. These savings also represent a significant competitive advantage in industrial environments where keeping down the cost per item is a constant challenge.
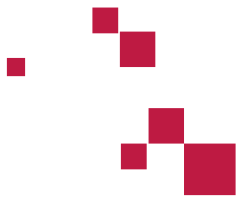
NEW CLOUD
APPLICATIONS

In 2018, two cloud applications joined Lectra's existing software offers, bringing extra value to the company's users. The launch of these applications marked the beginning of a series of cloud-based applications intended for creation, product development, and production teams. For their development, based on the principles of Industry 4.0, Lectra collaborated with customers undergoing their own digital transformations.

1

IMPROVE TRACEABILITY,
FROM CREATION
TO PRODUCTION

With these two applications, the entire company improves its transparency. Thanks to the traceability of data, managers have total visibility of needs for materials, which represent up to 70% of the cost of manufacturing a garment, while operations teams can consult shared data at any time and incorporate them into their approval and reporting processes.

2

FACILITATE
DECISION-MAKING

The Quick Estimate application makes it easier to manage costs throughout product development by enabling users to instantly calculate material consumption from Modaris, Lectra's 2D and 3D product development solution. Modelers can very quickly and easily adjust the sizing of garments and test out multiple options while maintaining brand identity and keeping to very tight deadlines for bringing products to market.

3

OPTIMIZE
CONSUMPTION
OF MATERIALS

The Quick Nest application facilitates access to automatic positioning and capitalizes on the power of the cloud to process big volumes of positioning data at the same time and keep to very tight production timing, all while incorporating new information as modifications are made. Thanks to advanced algorithms, optimization of material usage reaches record levels.

"QUICK ESTIMATE, THE APPLICATION FOR RAPID MEASUREMENT OF MATERIAL USAGE, IS EFFICIENT AND SUFFICIENT FOR THE NEEDS OF OUR DESIGN OFFICE. THIS APPLICATION HAS BECOME PART OF THE DAILY LIFE OF THE WORKSHOP, BOTH IN DEVELOPMENT AND PRODUCTION."

Fabrice Henneron,
Studio Director, A.P.C.

ACQUISITION OF
KUBIX LAB
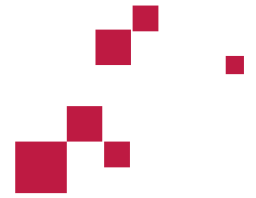
Founded in late 2015, the Italian start-up Kubix Lab developed Kubix Link, a highly innovative technology that enables fashion brands to manage from end to end, in a single application, all product information coming from multiple sources.


Kubix Link relies on an approach that is totally different from that used by existing solutions. By capitalizing on their knowledge of best practices in the fashion industry, the founders of Kubix Lab developed a solution that perfectly fits the needs of companies: it is flexible, scalable, and very easy to use. Kubix Link allows all stakeholders involved in the development, manufacturing, and sale of products to easily and effectively collaborate in real time using the same data.

First launched in Italy, Kubix Link immediately convinced more than 20 Italian brands of its value and it will be gradually rolled out worldwide in 2019.

INDUSTRY
4.0
OFFER

SOCIAL AND ENVIRONMENTAL
RESPONSIBILITY

Lectra puts ethics at the heart of its business. The Group's Code of Conduct, which applies to everyone in the company, establishes the highest standards for integrity and transparency while calling on all to be vigilant and responsible.

■ UNCOMPROMISING ETHICS

1,711 employees

64% men

36% women

63% of new hires in 2018

37% of new hires in 2018
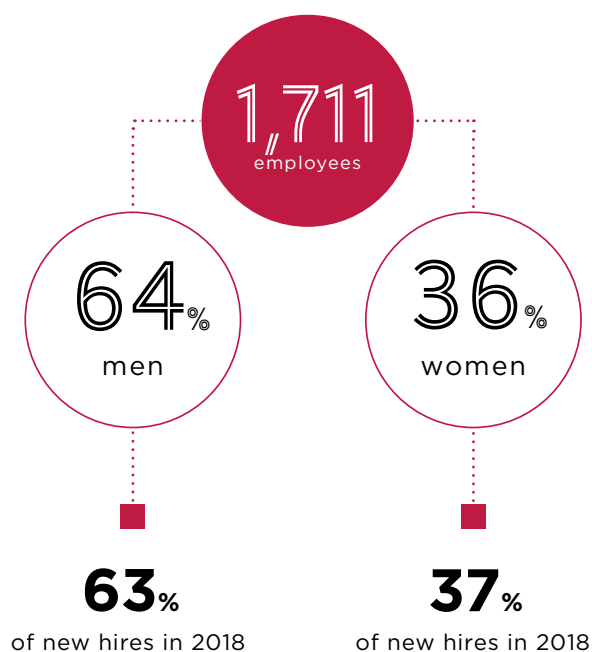
265 employees joined Lectra in 2018.

With over 50 different nationalities, Lectra's teams are spread all over the world. The 265 people hired in 2018 have rejuvenated the company and 37% of them are women.

LECTRA'S COMMITMENTS

RESPECT FOR DIFFERENCES

Diversity and respect for individuals are part of Lectra's identity. Lectra prohibits all forms of discrimination between people, particularly in relation to gender, age, religion, disability, nationality, ethnic or social origin. With equal pay for men and women, equality in positions and salaries has been a reality at Lectra for many years.

TRAINING AND ONBOARDING

The fast onboarding of new employees and the continual acquisition of skills are essential at Lectra. *Lectra Academy*, the global in-house training center created in 2005, has the main mission of developing talent, adapting professional skills to Industry 4.0, and strengthening the business-line expertise of each employee, all while encouraging networking and the sharing of Lectra's corporate culture across all of its entities.

QUALITY OF LIFE AT WORK

Looking out for the satisfaction of its employees, Lectra is constantly improving quality of life at work, which the company measures through internal surveys. In particular, Lectra invests in the quality of workspaces, imagined and designed in close collaboration with the teams that will work in them. In the most recent surveys, a strong majority of employees said that they would recommend Lectra to friends.

ENVIRONMENT

The eco-design policy for Lectra machines aims to reduce each machine's environmental footprint by decreasing its weight, size, and energy consumption; by reducing the amount of raw materials and increasing the share of recyclable products needed to manufacture or operate it; and by limiting the usage of polluting or hazardous products to an absolute minimum.

Lectra's commitment to incorporating environmental and social issues into its strategy was recognized with the Gaïa Rating 2018 certification, which is given to French companies that are environmentally responsible and that work to promote governance best practices.

KEY FIGURES
2018
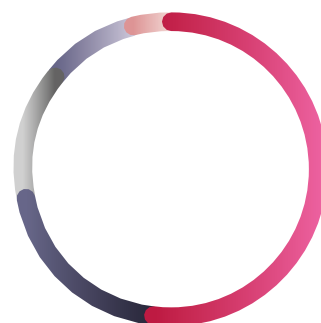
Record revenues and income from operations in 2018

Breakdown of workforce
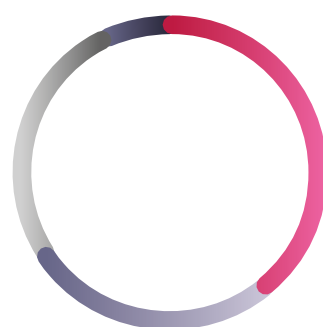1,711 employees on December 31, 2018

By job function

32% Services

20% R&D

20% Sales, marketing

18% Administration
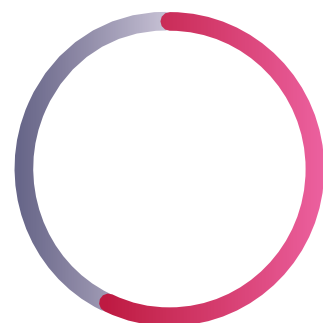
10% Sales, production, logistics

By region

52% France

19% Europe (excluding France)

15% Asia-Pacific

10% Americas
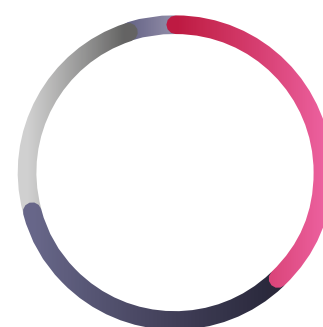
4% Other countries

Breakdown of revenues

By region

39% Europe

27% Asia-Pacific

27% Americas

7% Other countries

By nature

57% Recurring

43% New systems

By type of business

38% Services (training, consulting, hardware maintenance, online services)

33% CAD/CAM equipment and accompanying software

24% Consumables and parts
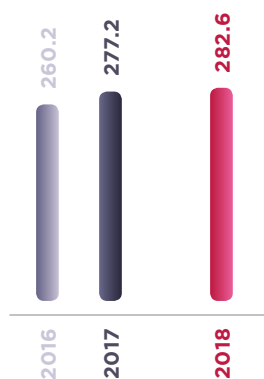
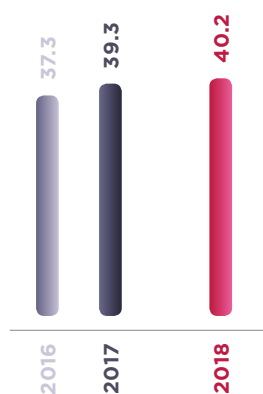**5%** New CAD/CAM and PLM software licenses
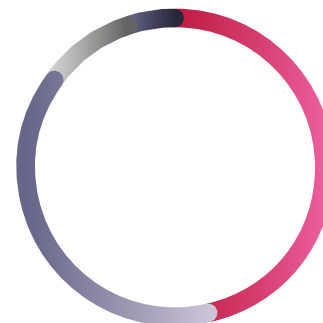
By market sector[1]

47% Fashion and apparel

39% Automotive

10% Furniture

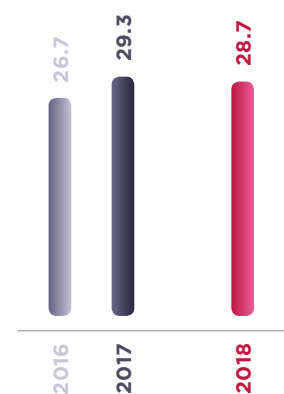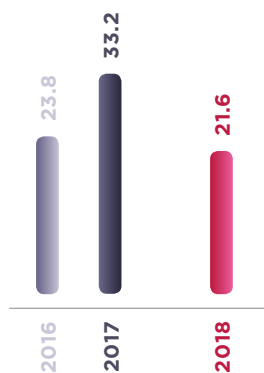**4%** Other industries
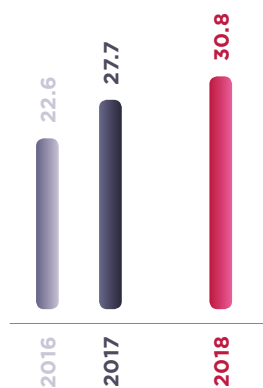
(1) Revenues from new systems sales.

Revenues

2016	2017	2018
260.2	277.2	282.6

Income from operations

2016	2017	2018
37.3	39.3	40.2

Net income

2016	2017	2018
26.7	29.3	28.7

Free cash flow

2016	2017	2018
23.8	33.2	21.6

Research & development

2016	2017	2018
22.6	27.7	30.8

Capital expenditure

2016	2017	2018
6.6	7.6	7.5
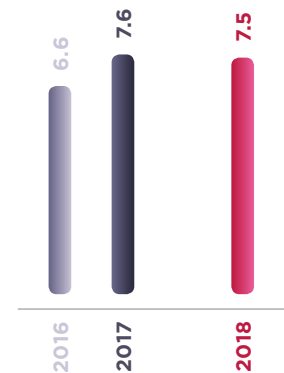
Shareholders equity [2]

2016	2017	2018
132.6	151.2	170.4

Net cash [2]
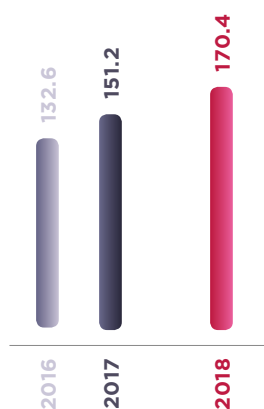
2016	2017	2018
75.7	98.1	102.2
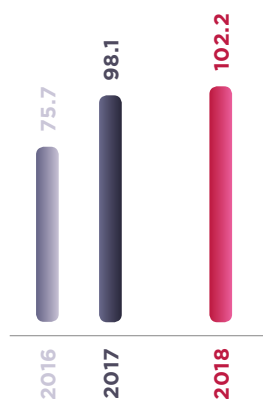
(2) At December 31, 2018

The company has been debt-free as of March 2015.

Capital

31,846,757 shares
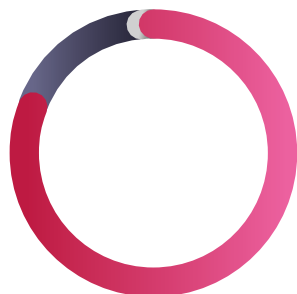
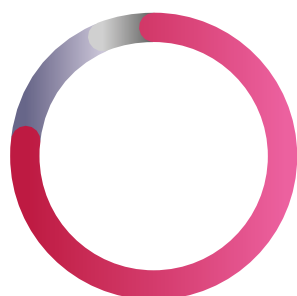**81.1%** Institutional investors and general public

17.3% Daniel Harari

1.6% Management and other employees

The free float is over 80%. Most is held by institutional investors. Kabouter Management LLC (United States), acting on behalf of investment funds that it manages, holds more than 10% (but less than 15%) of the capital and the voting rights. Allianz SE (Germany), through French companies it controls, and Kempen Oranje Participaties (The Netherlands), each hold more than 5% (but less than 10%) of the capital and the voting rights. No other shareholder holds more than 5% of the capital or the voting rights.

Fully diluted capital

33,524,644 shares

77.2% Institutional investors and general public

16.4% Daniel Harari

6.4% Management and other employees

Thanks to a motivating stock option program, the Group's managers and key employees (301 in total) hold 6.4% of the diluted capital. Daniel Harari holds no stock options. The Group intends to pursue this policy of selective employee participation in its capital. Fully-vested stock options total 2.4% of the base capital.

Share price evolution

(in euros)

■ Lectra (daily closing price)

■ CAC Mid & Small Index (base: December 31, 2017)

2018

The share price fell by 28% between 31 December, 2017 (€25.15) and 31 December 2018 (€18.18). The market capitalization at 31 December, 2018 was €579 million (€794 million at 31 December 2017).

Dividend

The Board of Directors proposed to the Annual Shareholders' Meeting of April 30, 2019 to increase the dividend by 5.3%, to €0.40 per share, in respect of fiscal year 2018. This dividend represents a payout ratio of 44% of 2018 consolidated net income and a yield of 2.2% based on the December 31, 2018 closing share price. The company is determined to pursue its dividend-payment policy, with an expected payout ratio over the 2017-2019 roadmap period of around 40% of net income, the remaining 60% being used to fund Lectra's growth internally.

(in euros)	2018	2017	2016	2015	2014
Share price - high [1]	26.30	30.00	18.32	14.65	9.45
Share price - low [1]	16.72	16.89	10.76	8.98	7.01
Shareholders' equity per share [1][2]	18.18	25.15	18.02	12.10	9.14
Net cash per share [2]	5.35	4.79	4.24	3.67	3.10
Earnings per share [2]	3.21	3.11	2.42	1.93	1.42
Earnings per share [2][3] • basic • diluted	0.91 0.89	0.93 0.90	0.86 0.84	0.76 0.74	0.48 0.47
Number of shares [2][4]	31.8	31.6	31.2	30.8	30.3
Market capitalization [2][5]	579.0	794.0	563.1	372.5	277.2
Annual volume traded [4][6]	17.1	19.3	10.3	NC	NC
including trades on Euronext [4][7]	5.3	9.2	4.8	8.7	6.8

(1) On Euronext
(2) At 31 December
(3) Earnings per share on basic capital is calculated on the basis of the weighted number of shares. Diluted earnings per share are calculated in accordance with IAS 33.
(4) In millions of shares

(5) Based on the closing Euronext price on 31 December
(6) Source Bloomberg. These exchanges do not take into account André Harari's sale of his entire stake in Lectra (€5.6 million) in June 2017.
(7) Source Euronext. These exchanges do not take into account André Harari's sale of his entire stake in Lectra (€5.6 million) in June 2017.

CALENDAR

▬ PUBLICATION OF **FINANCIAL PERFORMANCE**

APRIL
APRIL 29, 2019
First quarter 2019 results

JULY
JULY 29, 2019
Second quarter 2019 results

OCTOBER
OCTOBER 30, 2019
Third quarter 2019 results

FEBRUARY
FEBRUARY 11, 2020
Full Year 2019 results

▬ **ANALYST CONFERENCES,** PARIS

OCTOBER
OCTOBER 31, 2019

FEBRUARY
FEBRUARY 12, 2020

▬ **ANNUAL SHAREHOLDERS'** MEETING

APRIL
APRIL 30, 2019

LECTRA

Empowering customers
through industrial intelligence