

Record revenues and earnings in 2017

- Revenues: €277.2 million (+8%)*
- Income from operations: €39.3 million (+10%)*
- Net income: €29.3 million (+10%)
- Free cash flow: €33.2 million
- Net cash: €98.1 million
- Dividend** : €0.38 per share (+8.6%)

* Like-for-like

** Proposed to the Annual Shareholders' Meeting on April 27, 2018

In millions of euros	October 1 – December 31		January 1 – December 31	
	2017	2016	2017	2016
Revenues	71.5	69.4	277.2	260.2
Change like-for-like (%) ⁽¹⁾	+7%		+8%	
Income from operations	10.2	10.7	39.3	37.3
Change like-for-like (%) ⁽¹⁾	+13%		+10%	
Operating margin (in % of revenues)	14.3%	15.4%	14.2%	14.3%
Net income	9.2	7.9	29.3	26.7
Change at actual exchange rates (%)	+16%		+10%	
Free cash flow	14	7.6	33.2	23.8
Shareholders' equity ⁽²⁾			151.2	132.6
Net cash ⁽²⁾			98.1	75.7

(1) Like-for-like: 2017 figures restated at 2016 exchange rates

(2) At December 31

Paris, February 12, 2018. Today, Lectra's Board of Directors, chaired by Daniel Harari, reviewed the consolidated financial statements for the fiscal year 2017. 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 27, 2018.

(Comparisons between 2017 and 2016 are like-for-like, unless stated otherwise).

Q4 2017: Strong growth in income from operations, on a like-for-like basis – particularly high free cash flow

Q4 orders for new systems (€32.9 million) were 3% lower (-€0.9 million) than those booked in Q4 2016. Orders in previous quarters were €32.3 million, €32 million and €26.5 million respectively in Q1, Q2 and Q3 2017. In Q4 2016, orders for new systems were €35.2 million, the Company's highest ever quarter for new systems orders.

Revenues (€71.5 million) were up 7% (+3% at actual exchange rates).

Income from operations (€10.2 million) was up 13% like-for-like (-4% at actual exchange rates). The operating margin (14.3%) was up 0.8 percentage points like-for-like but down 1.1 percentage points at actual exchange rates.

Currency changes mechanically decreased revenues by €3.1 million (-4%) and income from operations by €1.9 million (-16%) at actual exchange rates compared to like-for-like figures.

Net income (€9.2 million) was up €1.3 million (+16%) at actual exchange rates.

Free cash flow amounted to €14 million (€7.6 million in Q4 2016). This includes receipt of €6.3 million relating to the balance of the 2013 French research tax credit (in 2016, the balance of the 2012 French research tax credit was received in Q3).

2017: Earnings in line with the Company's objectives

Revenues totaled €277.2 million, up 8% relative to 2016 and income from operations reached €39.3 million, up 10%.

These results fall within the range of the objectives for revenues and income from operations communicated on February 9, 2017. They are a new historic record.

Strong growth in orders for CAD/CAM equipment and software

Orders for new systems (€123.7 million) were up 8% relative to 2016. Orders for new CAD/CAM and PLM software licenses increased by 14%, orders for CAD/CAM equipment and accompanying software by 9%, and orders for training and consulting decreased by 2%. Excluding *FocusQuantum*, orders for new systems increased by 15%.

At the same time, in 2017 the Company proceeded with its first sales of software with a Software-as-a-Service (SaaS) model, to a deliberately limited number of customers, in selected test countries. These sales correspond to total annual subscriptions of €0.3 million. If they had been made in the form of perpetual licenses, they would have represented an additional €0.6 million in orders for CAD/CAM and PLM software licenses.

Orders increased in all regions: by 14% in the Americas, 11% in Europe, 2% in Asia-Pacific, and 20% in the rest of the world.

Orders increased by 15% in the fashion and apparel market; they decreased by 1% in the automotive market; and increased by 19% in the furniture market and by 1% in other industries.

The Company considers it has strengthened its competitive position in most of its market sectors and geographic markets.

Revenues and earnings up sharply

Revenues were up 8% like-for-like and 7% at actual exchange rates. Revenues from new systems sales (€123.1 million) increased by 10% and recurring revenues (€154.1 million) increased by 6%.

Income from operations increased by 10% (+5% at actual exchange rates). The operating margin was 14.2%, up 0.3 percentage points but down 0.1 percentage points at actual exchange rates.

Net income amounted to €29.3 million, up €2.6 million (+10%) at actual exchange rates, and free cash flow amounted to €33.2 million, up €9.4 million.

A zero-debt Company, a particularly robust balance sheet

At December 31, 2017, consolidated shareholders' equity amounted to €151.2 million (€132.6 million at December 31, 2016), the highest level ever.

The Company has been debt free since March 31, 2015. Cash and cash equivalents, and the net cash position, totaled €98.1 million, up sharply compared to December 31, 2016 (€75.7 million). This is also a record level, which will enable the Company to self-finance its internal and external development.

2017-2019 strategic roadmap: first 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. The strategic roadmap—first published in the Financial Report dated February 9, 2017—constitutes the initial stage in the evolution of Lectra over the next ten years. Its objectives are to reinforce Lectra's global leadership and ensure sustainable growth, while preserving its short-term profitability.

The first year of the roadmap was successfully executed on the whole. Initial progress reports for the main sections of the roadmap 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 were confirmed in 2017.

Lectra, an indispensable player in Industry 4.0

The large number of reports from experts published in recent months confirm that Industry 4.0 has transformed how all companies operate and create value. The Company has everything needed to achieve its ambition to be an indispensable player in Industry 4.0.

In 2017 Lectra continued to develop its new cloud-based services and to carry out pilot tests with customers. These services will be included in the new software offers progressively commercialized in 2018; they will be compatible with all cutting machines sold since 2007, and with the latest releases of nearly all software.

Developing the business model for profitable, long-term growth

The Company has decided to sell its future software offers exclusively with the SaaS model, while existing software will be sold using both the current approach (perpetual licenses with evolution contracts and online services) and in SaaS mode. Accordingly, the Company anticipates that most sales of its existing software over the next two years will be in the form of perpetual licenses.

The transformation of new software license sales into recurring subscriptions by deployment of the SaaS model will accordingly be a very gradual process: SaaS sales in total revenues will depend essentially on ramping-up new software offers.

Finally, the growth accelerators (China, leather, airbags, personalization of consumer products and digitalization of the fashion and apparel industry) that contributed to the Group's dynamic activity in 2017 should continue to sustain revenue growth in 2018.

Financial objectives

The Company had set the following financial targets for 2017-2019 (based on like-for-like comparisons – assumption of a \$1.10/€1 exchange rate):

- 6% to 12% annual organic revenue growth;
- 15% annual operating margin before non-recurring items.

In 2017, on a like-for-like basis, revenue growth and income growth are in line with the Company's strategic roadmap.

However, in light of the appreciation of the euro in 2017 against most currencies—particularly the dollar and the yuan—and continuing exchange rate volatility, the Company has decided to replace its second financial objective, for 2018 and 2019, by: "Growth in operating margin equal to or greater than revenue growth". This objective is again on a like-for-like basis.

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

R&D investments came to €25.6 million in 2017. In parallel, during the course of the year, the Company implemented an innovation team, at a cost of €1 million in 2017. In total, investments in R&D and innovation increased by 18% and came to 9.6% of revenues. Employees dedicated to R&D and innovation increased by 62 people in 2017.

Use of available cash

Thanks to the strength of its business model, the Company had a higher than expected positive net available cash position of €98.1 million at December 31, 2017.

The Company will declare a dividend in respect of FY 2017 higher than the dividend in respect of FY 2016 and has sufficient cash to finance future targeted acquisitions.

Dividend raised to €0.38 per share

The Board of Directors will propose to the annual Ordinary Shareholders' Meeting of April 27, 2018 to increase the dividend to €0.38 per share (+8.6%) in respect of FY 2017, representing a payout ratio of 41% of 2017 consolidated net income and a yield of 1.5% based on the December 31, 2017 closing share price. Subject to approval by the shareholders, the dividend will be made payable on May 4, 2018.

Acquisition of the Italian company Kubix Lab

On January 25, 2018, Lectra announced the acquisition of the Italian company Kubix Lab (see press release of that day) and confirmed its intentions to make one or several targeted additional acquisitions in 2018 or 2019.

2018 outlook

The Company entered 2018 with stronger than ever operating fundamentals and an even stronger balance sheet.

The main uncertainty concerns the level of orders for new systems and corresponding revenues, in light of persistent uncertainty in the macroeconomic, geopolitical, political and monetary environment that could affect business investment decisions.

High sensitivity to exchange rates

The Company has based its 2018 scenarios on the exchange rates in effect at year-end 2017, notably \$1.20/€1.

When converting 2017 results using the exchange rates retained for 2018, revenues and income from operations before non-recurring items are reduced by €7.3 million and €4 million, respectively, to €269.9 million and €35.3 million; and the operating margin before non-recurring items is reduced by 1.1 percentage points to 13.1%.

The Company has not hedged its currency exposure for 2018.

Financial objectives

For 2018, the Company is targeting 6% to 10% revenue growth, like-for-like, and 7% to 15% growth in income from operations before non-recurring items, like-for-like.

In parallel, the Company estimates that the acquisition of Kubix Lab will have a non-material impact on its 2018 financial performance.

More than ever, the entire Company is focused on growing its sales activity.

Bolstered by the strength of its business model and a new roadmap fully geared to the demands of Industry 4.0, the Company remains confident in its growth prospects for the medium term.

The Management Discussion and Analysis of Financial Conditions and Results of Operations and the financial statements for Q4 and the fiscal year 2017 are available on lectra.com.

First quarter earnings for 2018 will be published on April 26, 2018. The annual Shareholders' Meeting will take place on April 27.

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 31 subsidiaries across the globe, serving customers in over 100 countries. With more than 1,600 employees, Lectra reported revenues of \$313 million in 2017. Lectra is listed on Euronext (LSS).

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