2016: Record Financial Results

- Revenues: €260.2 million (+10%) *
- Income from operations: €37.3 million (+18%) *
- Net income: €26.7 million (+14%)
- Free cash flow: €23.8 million
- Net cash: €75.7 million
- Dividend**: €0.35 per share (+17%)

* Like-for-like
** Proposed to the Annual Shareholders’ Meeting on April 28, 2017

<table>
<thead>
<tr>
<th>In millions of euros</th>
<th>October 1 – December 31</th>
<th>January 1 – December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
<td>2015</td>
</tr>
<tr>
<td>Revenues</td>
<td>69.4</td>
<td>62.2</td>
</tr>
<tr>
<td>Change like-for-like (%) (1)\</td>
<td>+11%</td>
<td>+10%</td>
</tr>
<tr>
<td>Income from operations</td>
<td>10.7</td>
<td>8.9</td>
</tr>
<tr>
<td>Change like-for-like (%) (1)\</td>
<td>+17%</td>
<td>+18%</td>
</tr>
<tr>
<td>Operating margin (in % of revenues)</td>
<td>15.4%</td>
<td>14.2%</td>
</tr>
<tr>
<td>Net income</td>
<td>7.9</td>
<td>7.4</td>
</tr>
<tr>
<td>Change at actual exchange rates (%)</td>
<td>+7%</td>
<td>+14%</td>
</tr>
<tr>
<td>Free cash flow</td>
<td>7.6</td>
<td>6.7</td>
</tr>
<tr>
<td>Shareholders’ equity(2)\</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net cash</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

\(1\) Like-for-like: 2016 figures restated at 2015 exchange rates
\(2\) At December 31

Paris, February 9, 2017. Today, Lectra’s Board of Directors, chaired by André Harari, reviewed the consolidated financial statements for the fiscal year 2016. Audit procedures have been performed by the Statutory Auditors. The certification report will be issued at the end of the Board of Directors meeting of February 23, 2017.

(Comparisons between 2016 and 2015 are like-for-like, unless stated otherwise).

Q4 2016: Strong Growth in Orders for New Systems

Following a 15% increase in the first nine months, compared to the same period in 2015, orders for new systems (€35.2 million) are up 10%, compared to Q4 2015, which had already registered a high level of orders. This quarterly level of orders is a record high for the Company.

Revenues (€69.4 million) increased by 11% (+12% at actual exchange rates).

Income from operations (€10.7 million) is up 17% (+21% at actual exchange rates). The operating margin (15.4%) increased by 0.9 percentage point (+1.2 percentage points at actual exchange rates).

Net income (€7.9 million) is up €0.5 million (+7%) at actual exchange rates.

Free cash flow was €7.6 million (€6.7 million in Q4 2015).
2016: Revenues and Earnings Up Sharply, In Line with the Company's Roadmap

Revenues totaled €260.2 million, up by 10% relative to 2015 and income from operations reached €37.3 million, up by +18%.

These results are at a record high for the Company, at the top of the range of expected revenues and income from operations for FY 2016, as indicated on July 28 and confirmed on October 28, as well as for the objectives set at the beginning of the year before the decision to step up the R&D program.

Strong Increase in Orders for New Systems and Revenues

Orders for new systems (€115.6 million) increased by 13% relative to 2015: +6% for orders for new software licenses, +17% for CAD/CAM equipment and +5% for training and consulting.

Geographically, the situation is highly contrasted: orders in Asia-Pacific increased by 47% and by 18% in Europe. They decreased by 26% in the Americas—in 2015, orders in the Americas increased by 55%, while those in Asia-Pacific decreased by 1%. In the rest of the world, they decreased by 1%.

Orders rose 3% in the fashion and apparel market, 36% in the automotive market, and 6% in the furniture market.

Revenues were up 10% (+9% at actual exchange rates). Revenues from new systems sales (€113.1 million) increased by 14% and recurring revenues (€147.1 million) by 7%.

Strong Growth in Income from Operations and Net Income

Income from operations increased by 18% (+17% at actual exchange rates) and the operating margin (14.3%) was up 1 percentage point (+0.9 percentage point at actual exchange rates).

Net income amounted to €26.7 million, up €3.3 million (+14%) at actual exchange rates, and free cash flow €23.8 million (+€2.3 million).

A Zero-Debt Company, a Very Strong Balance Sheet

At December 31, 2016, consolidated shareholders’ equity amounted to €132.6 million after payment of the dividend of €9.3 million (€0.30 per share) declared in respect of FY 2015. The Company has been debt free since March 31, 2015. Cash and cash equivalents as well as net cash position totaled €75.7 million.

Assessment of 2013-2016 Strategic Roadmap: A Successful Company Transformation—A Strong Foundation for Future Developments

The aim of the 2013-2016 roadmap was to enable Lectra to fulfill its growth potential, while continuing to prioritize the Company’s long-term strategy.

Lectra has emerged entirely transformed from this period. It has bolstered its technological advance, enhanced the expertise of its teams and the value of its offer, notably in cutting room automation. It has boosted its overall competitiveness, forged strong relationships with prestigious customers in all of its main market sectors and geographic markets, consolidated its positions in automotive and fashion and apparel, and acquired strong positions in furniture.

Enhanced Capabilities In All Areas

The transformation plan and €50 million in investments for the future, fully expensed, served to renew and substantially strengthen Lectra’s workforce. Resources were successfully reallocated to the most strategic activities and the most promising market sectors and geographic markets. Lectra’s workforce at December 31, 2016 totaled 1,550 people, 42% of whom joined in the last five years.
The Group has also strengthened its global presence by opening subsidiaries in two of the most dynamic Asian economies: in South Korea in 2014, and Vietnam in 2016. Lectra's unparalleled international network of 33 subsidiaries enables the Company to deliver its value proposition across the world, adapting to each local context.

**Fundamental Advances in Technology**

Over this four-year period, the Company invested €86 million in R&D, representing 9.4% of revenues, fully expensed. These investments enabled Lectra to enrich its software offer for fashion and apparel with new versions of its flagship solutions and drove leading-edge innovations for Lectra's automated cutters, across all market sectors.

**Record Financial Results**

Between 2012 and 2016, orders for new systems increased by 32%, and revenues by 31%, at actual exchange rates. Income from operations and net income multiplied respectively by 1.9 and 2. The operating margin was up 4.6 percentage points.

Thanks to a cumulative free cash flow of €70.8 million over the period, net cash rose to €75.7 million after payment of €29.9 million in aggregate dividends in respect of FY 2012 to 2015. Shareholders’ equity has more than doubled in four years.

Meanwhile, Lectra’s share price multiplied by 3.8, rising from €4.73 on December 31, 2012 to €18.02 on December 31, 2016, and market capitalization multiplied by 4.1, increasing from €137 million to €562 million.

**Dividend Raised to €0.35 per Share**

The Board of Directors will propose to the annual Ordinary Shareholders’ Meeting of April 28, 2017 to increase the dividend to €0.35 per share (+17%) in respect of FY 2016, representing a payout ratio of 41% of 2016 net income and a yield of 1.9% based on the December 31, 2016 closing share price. Subject to approval by the shareholders, the dividend will be made payable on May 5, 2017.

**A New Strategic Roadmap for 2017-2019**

**A Long-Term Vision**

Continuing its focus on the long term, the 2017-2019 roadmap is the first step in Lectra’s development plans for the coming decade.

Four major trends will shape Lectra’s market sectors and geographic markets:
1. The Millennials, born between 1980 and 2000, are shaking up rules, behavior, needs and demands in terms of deliveries, quality, patterns of consumption, product personalization and respect for the environment.
2. The digitalization of business, made possible by an entire ecosystem of new technologies, from the cloud to mobility, and from augmented reality to artificial intelligence.
3. The emergence of Industry 4.0 has spearheaded today’s fourth industrial revolution; real-time communication between different participants, objects, production lines and services is at the heart of Industry 4.0.
4. China’s evolving economy, accelerating its transition towards a growth model firmly anchored in consumption, added-value and productivity, supported by the Chinese government’s strategic ‘Made in China 2025’ initiative.

The impact of these four major trends is already perceptible on the world stage and is expected to be felt with growing strength, generating many challenges for Lectra’s customers.
Lectra, an Indispensable Player in Industry 4.0

Industry 4.0 presents an unprecedented opportunity for Lectra, calling for the integration of smart solutions and services, and the replacement of production tools incompatible with connected factory concepts. The combination of SaaS (Software as a Service) with the cloud are opening up new horizons for innovation.

Factories are at the heart of the value chain. With Industry 4.0, mass production will leave more and more room for large scale personalized—and profitable—manufacturing, with greater quality and no added costs or delays. Fashion and apparel, as well as automotive and furniture manufacturers will have to ramp up their transformation, adopting the technologies and services shaping Industry 4.0.

With ten years' experience in the industrial Internet of things, combined with its expertise in software solutions to automate and optimize the design and development of fashion collections, Lectra is in a formidable position to help customers step into this new industrial age.

Thanks to revolutionary new cloud services, which Lectra started to develop in 2016 and plans to enrich over the next three years, and by adapting its equipment to Industry 4.0's best practices, the Company will optimize customers’ cutting room performance for each type of manufacturing and material. The same applies to Lectra's software offer for fashion and apparel. Lectra plans to roll out its first cloud services progressively, starting in 2018.

Developing the Business Model for Profitable, Long-Term Growth

The 2017-2019 strategic roadmap was framed to enable Lectra to consolidate its global leadership within this new context and achieve sustained growth, while maintaining short-term profitability and continuing to focus activities on its main market sectors, i.e. fashion and apparel, automotive and furniture.

Its five strategic objectives are:

- 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 strengthen Lectra’s competitive position and long-term relationships with customers;
- To progressively transform most of its revenues from new software licenses into recurring subscriptions by establishing a SaaS business model;
- To maintain the Group’s profitability and generate a high level of free cash flow in order to self-finance internal and external developments (other than potential acquisitions whose scale might require additional financing).

In addition to Industry 4.0 and SaaS offers, Lectra is counting on five other accelerators to boost its growth:

- China, as the country upgrades its manufacturing plant and expands its domestic market;
- Leather, increasingly used in the automotive and furniture industries; almost all materials are still cut by hand, but cutting processes need to be automated;
- Airbags, due to the growing number being fitted to each vehicle, and to the potential to renew installed bases for older-generation automated cutters;
- Personalization of consumer products, requiring hefty investments in cutting-edge technology;
- The digitalization of the fashion and apparel industry, which implies adopting collaborative technologies to facilitate management of collections and products.
Financial Objectives

Taking into account expected macroeconomic conditions and the impact of developments pertaining to Lectra’s business model over the next three years, the Company has set the following financial targets for 2017-2019 (based on like-for-like comparisons):

- 6 to 12% annual organic revenue growth, reflecting increased revenues from new systems and higher recurring revenues (SaaS, recurring contracts, consumables and parts);
- 15% annual operating margin before non-recurring items, potentially lower in the first two years reflecting the acceleration of Lectra’s shift to the new SaaS business model.

Given the possible uncertainties, notably economic and political, these objectives are subject to review over the three-year period. They will also be adjusted if the Company executes one or more targeted acquisitions.

Increased Investment in the Design and Development of Lectra’s Offers

Lectra will continue to invest actively in innovation to reinforce its competitive leadership and value proposition. R&D expenditures will progressively rise, averaging around 10% of annual revenues over the period, compared to 9.4% for the previous roadmap.

Use of Available Cash

The key to Lectra’s business model is the generation of a high level of free cash flow and a structurally negative working capital requirement.

Lectra is determined to pursue its dividend-payment policy over the roadmap’s period, with an expected payout ratio of around 40% of net income (excluding non-recurring items), the remaining 60% being used to fund Lectra’s growth internally. The aim is to achieve a steadily rising dividend per share.

The Company will have sufficient cash on hand to finance targeted future acquisitions.

2017 Outlook

The Company entered 2017 with stronger operating fundamentals than ever and an even stronger balance sheet.

2017 looks unpredictable once again. Persistent macroeconomic, geopolitical, political and currency uncertainties, together with increased risks, are liable to continue to weigh heavily on businesses’ investment decisions.

As in previous years, the main uncertainty concerns the level of orders for new systems sales and corresponding revenues. Visibility remains limited, calling for continued caution.

In these conditions, the Company is targeting 6 to 12% revenue growth and 7 to 15% growth in income from operations before non-recurring items, like-for-like.

More than ever, the whole 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.
First quarter earnings for 2017 will be published on April 27, 2017. The annual Shareholders’ Meeting will take place on April 28.

The Management Discussion and Analysis of Financial Conditions and Results of Operations and the financial statements for Q4 and the fiscal year 2016 are available on lectra.com.

With 1,550 employees worldwide, Lectra is the world leader in integrated technology solutions – software, automated cutting equipment, and associated services – specifically designed for industries using fabrics, leather, technical textiles, and composite materials to manufacture their products. Lectra serves major global markets: fashion and apparel, automotive (car seats and interiors, airbags), and furniture as well as a broad array of other industries (aeronautics, marine, wind power, etc.).

Lectra (code ISIN FR0000065484) is listed on Euronext (compartment B).

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