Press Release

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First Half 2019: Earnings lower than Company expectations

137.2 million (-4%)*

17.4 million (-8%)*

12.6 million (+3%)

12.5 million

104 million

** Like-for-like*

In millions of euros	April 1	June 30	January 1	June 30
	2019	2018	2019	2018
Revenues	70.2	73.0	137.2	140.2
Change like-for-like (%)[1]	*-6%*		*-4%*	
Income from operations	9.5	9.8	17.4	17.0
Change like-for-like (%)[1]	*-11%*		*-8%*	
Operating margin (in % of revenues)	13.6%	13.5%	12.7%	12.1%
Net income	6.9	6.9	12.6	12.3
Change at actual exchange rates (%)	*0%*		*+3%*	
Free cash flow	2.7	5.0	12.5	7.5
[2]			172.0	170.4
Net cash[2]			104.0	102.2

(1) Like-for-like: 2019 figures restated at 2018 exchange rates
(2) At June 30, 2019 and December 31, 2018

Paris, July 29, 2019. reviewed the consolidated financial statements for the first half of 2019, after a limited review by the Statutory Auditors.

(Comparisons between 2019 and 2018 are like-for-like, unless stated otherwise).

Q2 2019: Significant decline in orders for new systems

The second quarter was marked by the intensification of the trade wars between the United States and China and between the United States and Mexico, alongside fears of slower growth. This situation has led more and more companies, in all Lectra market sectors, to exercise greater caution, prompting them to reduce or delay their investment decisions.

lower than in Q2 2018. At actual exchange rates, they decreased by 21%.

-4% at actual exchange rates).

down 11% (-3% at actual exchange rates) and the operating margin (13.6%) decreased by 0.8 percentage points (it increased by 0.1 percentage points at actual exchange rates).

Net income ( ) was stable at actual exchange rates compared to Q2 2018.

First Half 2019

Positive impact of currency changes

while the yuan strengthened by 1% against the euro.

ions

-for-like figures.

Lower than expected orders for new systems

In a degraded macroeconomic environment, orders for new systems ( ) were down 15% compared with H1 2018: new CAD/CAM and PLM software licenses were stable, equipment and accompanying software decreased by 18%, and training and consulting by 12%. Orders for subscriptions, in particular for new Software-as-a-Service (SaaS) offers, accounted for 18% of the total amount of software orders in H1. Their

Decline in revenues and income from operations

Revenues (

The shortfall in orders for new systems in the first half of the year relative to the Company's expectations will not allow the Company to achieve its objectives in 2019, especially as the current weak level of orders could continue. In this context, the Company now anticipates a decline of 1% to 5% in revenues and 4% to 14% in income from operations before non-recurring items, like-for-like.

On the date of this report, visibility remains very limited. Nevertheless, an improvement in the business climate, particularly in the event of agreements in the trade disputes between the United States and China, and between the United States and Mexico, could result in a rebound in investments by the Company's customers.

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

The 2018 Annual Financial Report and the 2018 Annual Report, as well as the Management Discussion and Analysis of Financial Conditions and Results of Operations and the financial statements for H1 2019 are available on lectra.com

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