A CALL FOR CHANGE

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VP Marketing

#FashionForward
@LectraFashion
Lectra is the world leader in integrated technology solutions specifically designed for industries using fabrics, leather, technical textiles, and composite materials.

- **Fashion & Apparel**: 47%
- **Automotive**: 34%
- **Furniture**: 14%
- **Other industries**: 5%

% of revenues from new systems sales
A Unique Worldwide Presence

2015 Revenues
- Europe: 43%
- Americas: 28%
- Asia-Pacific: 23%
- Other countries: 6%

€238 MILLION
2015 REVENUES

34 SALES AND SERVICE SUBSIDIARIES

5 INTERNATIONAL CALL CENTERS

3 INTERNATIONAL ADVANCED TECHNOLOGY CENTERS

1,500 EMPLOYEES
- France: 49%
- Rest of Europe: 21%
- Asia-Pacific: 14%
- Americas: 11%
- Other countries: 5%

Lectra generates 93% of its revenues outside France and 91% directly with customers backed by agents and distributors in certain regions.
Creating Value for Customers

Lectra supports its customers in their growth and their quest for operational excellence in a highly competitive global environment.

- Advanced Technologies
- Best-in-class Support
- Expertise
They trust us

ABERCROMBIE & FITCH • AERNOVA AEROSPACE • AIRBOURNE SYSTEMS • AIRBUS GROUP • ARMANI • ASHLEY FURNITURE • ATL • AUTOLIV • B&B ITALIA • BAROQUE • BASLER • BELL HELICOPTER • BERTRANDT SAS • BRIONI • BRUNSWICK • BUGATTI • BURBERRY • CALVIN KLEIN • CALZEDONIA • CHANTELLE • CIRQUE DU SOLEIL • COMPAGNIE MAURICIENNE DE TEXTILE • DANI S.P.A • DECATHLON • DEVANLAY-LACOSTE • DIESEL • DIM BRANDED APPAREL • DIOR • DIXIE • DOLCE & GABANNA • DRAEXLMAIER • DUAL • DUVIVIER • EKORNES • ERMENEGILDO ZEGNA • FAÇONNABLE • FAST RETAILING • FAURECIA • FRUIT OF THE LOOM • GALERIES LAFAYETTE • GKN AEROSPACE • GLOBAL SAFETY TEXTILES • GRUPO KALTAX • GUCCI • H&M • HERMÈS • IMPERIAL • JACK VICTOR • JC PENNEY • JOHNSON CONTROLS • KATZKIN • KOOKAÏ • KUANGDA • KUKA HOME • LA-Z-BOY • LA MODA • LA PERLA • LAFUMA • LEAR • LES ENPHANTS • LISE CHARME • LORO PIANA • LOUIS VUITTON • LUNENDER • MAGNA • MALWEE • MANIFORM • MARKS & SPENCER • MIROGLIO • MONCLER • MULBERRY • NALI • NEW TWINS • PEACEBIRD • PETIT BATEAU • POLIPOP • POLTRONA FRAU • PRADA • PVH • RED COLLAR • RUYI • SHENZHOU • SMITH BROTHERS • STARR AIRCRAFT • ST JOHN • TACHI-S • TAKATA • TAL • TATA ADVANCED MATERIALS • TESCO • TOYOTA BOSHOKU • TRAYTON • VAN DE VELDE • VERSACE • WACOAL • WILLIAMSON-DICKIE MFG.CO. • YVES SAINT LAURENT • ZAMASPORT • ZANNIER

Privileged relationships with prestigious customers in more than 100 countries
Innovation at the Service of Excellence

€185 MILLION
CUMULATED INVESTMENTS IN R&D OVER THE PAST 10 YEARS

9%
OF REVENUES INVESTED IN R&D

265
R&D ENGINEERS

STRONG COLLABORATION WITH CUSTOMERS, UNIVERSITIES AND RESEARCH CENTERS

A DNA PRESERVED BY KEEPING 100% R&D AND PRODUCTION IN FRANCE

The Bordeaux-Cestas campus, the heart of Lectra’s expertise
40 Years of Innovation in the Fashion Industry

1973
- First computer-aided design (CAD) systems sold

1976
- First computer-aided design (CAD) systems sold

1985
- Lectra becomes world leader in CAD solutions for the Apparel industry and enters the computer-aided manufacturing (CAM) market

1991
- Invention of Mosaic to cut patterned fabric
- Invention of QualityCut to analyze cutting effort and optimize cutting quality

1993 - 96
- Technological breakthrough with Vector
- Modaris (patternmaking) and Diamino (marker-making) developed with French and Italian fashion houses

1998
- Invention of Mosaic to cut patterned fabric
- Invention of QualityCut to analyze cutting effort and optimize cutting quality

2002
- Dedicated Vector for Fashion
- Expansion to mass production
- Pioneered remote assistance

2006 - 07
- Vector, first connected machines with embedded sensors
- Lectra Fashion PLM launch
- First 3D prototyping solutions

2009
- Predictive maintenance for Versalis
- New range of Vector
- First lean consulting projects

2011
- Enter the leather market with Versalis, developed with Louis Vuitton

2012
- 2014
- Predictive maintenance for Versalis

2014 - 15
- A new paradigm for Lectra Fashion PLM
Lectra’s positioning is unique. Its capacity to combine equipment, software, and services—rather than merely juxtaposing them—has enabled the company to create a global offer which exceeds the value of that of single solutions.
The Influence of Millennials

You must compete for their time and attention in addition to their spending.

Born in 1980-2000, 20-30% of the world's population

Predicted to account for 40% of all retail sales by 2020

Can access the world from their pocket

Looking for personal style

Value experiences over possessions

Want quality over quantity

Prefer renting/sharing over owning

Want instant results
What matters to Millennials?

<table>
<thead>
<tr>
<th>High-Quality Products</th>
<th>75%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Would Recommend</td>
<td>61%</td>
</tr>
<tr>
<td>Fits Their Personality</td>
<td>53%</td>
</tr>
<tr>
<td>Social Responsibility</td>
<td>40%</td>
</tr>
<tr>
<td>Shares Similar Interests</td>
<td>39%</td>
</tr>
<tr>
<td>Says Important Things</td>
<td>31%</td>
</tr>
</tbody>
</table>

How much do they spend per item on clothing?

Sources: Moosylvania-Millennial_Study 2015, Bank of America Merrill Lynch, 2016
How to Tackle the « Millennial Challenge »

- Make the supply chain increasingly leaner
- Manage stock more holistically
- Ensure a consistent customer experience online & offline
- Connect with customers in a simple, intuitive way
- Follow social media and detect trends at an early stage
New Technologies are Changing the Way we Live and Work
Fashion & Apparel are undergoing a digital transformation

Collaborative solutions reduce development time and help share information in real time.

Analytics help predict future trends and customer behavior.

3D rendering improves experience.

Connected devices & IoT are revolutionizing the retail industry.

AR/VR have created new ways for brands to interact with customers.
Industry 4.0 at the Service of the Digital Value Chain

- Smart, Connected Machines
- Autonomous Robots
- System Integration
- Cyber Security
- GPS Tracking
- Simulation
- Cloud-computing
- Internet-of-Things
- Big Data analytics
- Augmented & virtual reality
- Big Data analytics
- Simulation
Once upon a time… the industry

18th Century
Industry 1.0
Mechanical production powered by water and steam

20th Century
Industry 2.0
Mass production based on the division of labour and powered by electrical energy

70s
Industry 3.0
Electronics and IT for a further automation of production

Today
Industry 4.0
Cyber physical production Systems
Worldwide smart manufacturing initiatives

- CATAPULT: High Value Manufacturing
- La Fabbrica del Futuro
- INDSTRY 4.0
- INDUSTRIE DU FUTUR
- « Manufacturing Innovation 3.0 strategy »

- «Advanced Manufacturing Partnership»
  Revitalize American Manufacturing and Innovation Act

- Made in China 2025
Industry 4.0 technology pillars

The nine advances in technology that form the foundation for Industry 4.0

Already used in manufacturing, but with Industry 4.0, they will transform production.

Exhibit 1: Nine Technologies are transforming industrial production

- Autonomous robots
- Simulation
- Horizontal and vertical system integration
- The Industrial Internet of Things
- Cybersecurity
- The cloud
- Additive manufacturing
- Augmented reality
- Big data and analytics

Industrial 4.0 is the vision of the industrial production of the future.

Source: BCG.
Lectra: Pioneer of the industrial IoT

Vector connected since 2007!
- **100** embedded sensors!
- **200** in Versalis & new FocusQuantum!

Permanent monitoring via secure remote connection
Lectra Smart Services
a direct link to Lectra Experts
Visibility in Manufacturing – Industry 4.0 main challenge

- Nearly 10% of manufacturers spend half their day looking for equipment and products.
- Nearly 50% of manufacturers don’t match laborious records to specific products.
- Almost 15% of manufacturers don’t prioritize product recalls.
- More than 80% of respondents reported that up to 10% of cycle time per product is non-value-added process waste.
- 85% of quality issues are caused by worker errors.
- 40% have no visibility into the real-time status of their company’s manufacturing process.
- More than 80% rely on human observation to support process improvement initiatives.
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Today’s Cutting room shortcomings

- Uncorrelated and intermittent processes
- Sequential activities
- “Paper” static data
- Poor visibility on real-time status from indicators
- One way information
- Manual and time consuming reporting
- Root causes difficult to identify
- Theory never meets reality
- Lack of traceability on events
Customers’ requests

Reduce production costs
- Generate material savings
- Optimize material management (fabric rolls, leather hides)
- Optimize running & fixed cost

Measure, improve and sustain operational performance
- Improve performance awareness as OEE: cutting system availability, quality, productivity
- Guaranteed capacity
- Implement continuous improvements / Eliminate non-added value operations

Improve processes and project management
- Manage the complexity of production processes
- Improve planning management, lead-time, traceability
- Improve visibility, reporting, data flows and team work
- Improve connectivity to information systems

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Total Visibility and Transparency within the Value Chain

PLANNING

DESIGN

SOURCE

DEVELOP

DELIVER

PRODUCE

INDUSTRIALIZE

SELL
Driving Operational Excellence Through Analytics

- VISUALIZE
- ANALYZE
- INTEGRATE
- CONTROL REMOTELY

PERFORMANCE

EFFICIENCY

QUALITY

COST

SPEED
to customer needs, from one cutting line to plant with multiple cutting rooms

processes, material usage, resources, through performance monitoring

Lectra Cutting Room 4.0 – Customer benefits

Streamline Cutting Process

based on an integrated and connected cutting room

Secure Cutting Process

by eliminating human errors with further processes automation and information exchanges

Provide visibility

on cutting room activities through real time monitoring and visualization tools

Increase flexibility

thanks to production hazards management (fabric flaws, downtime, …)

Continuously optimize

to customer needs

Scale to customer needs

Continuous optimization of customer needs, from one cutting line to plant with multiple cutting rooms.
China: A New Paradigm

DECLINING MANUFACTURING COMPETITIVENESS

BECOMING A SERVICE-DRIVEN ECONOMY

PRODUCING FOR CONSUMING

10 years ago  vs  Today

<table>
<thead>
<tr>
<th></th>
<th>10 years ago</th>
<th>Today</th>
</tr>
</thead>
<tbody>
<tr>
<td>Export</td>
<td>75%</td>
<td>25%</td>
</tr>
<tr>
<td>Domestic</td>
<td>25%</td>
<td>75%</td>
</tr>
</tbody>
</table>

Source: Ibis World 2013

Share of China’s GDP

Increasing Pressure on Apparel Manufacturers in China

- Labor costs
- Electricity
- Natural gas

Map showing countries like China, Bangladesh, Vietnam, Burma, Thailand, and Cambodia with the message "2025 MADE IN CHINA".
China’s Booming Fashion Market

Retail sales in billions of dollars

<table>
<thead>
<tr>
<th>Year</th>
<th>RoW</th>
<th>USA</th>
<th>Western Europe</th>
<th>China</th>
<th>Japan</th>
<th>India</th>
<th>Brazil</th>
</tr>
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<tbody>
<tr>
<td>2005</td>
<td>896</td>
<td>11%</td>
<td>$102</td>
<td>896</td>
<td>11%</td>
<td>$102</td>
<td>896</td>
</tr>
<tr>
<td>2010</td>
<td>1,053</td>
<td>17%</td>
<td>$181</td>
<td>1,053</td>
<td>17%</td>
<td>$181</td>
<td>1,053</td>
</tr>
<tr>
<td>2015</td>
<td>1,306</td>
<td>21%</td>
<td>$276</td>
<td>1,306</td>
<td>21%</td>
<td>$276</td>
<td>1,306</td>
</tr>
<tr>
<td>2020</td>
<td>1,805</td>
<td>22%</td>
<td>$388</td>
<td>1,805</td>
<td>22%</td>
<td>$388</td>
<td>1,805</td>
</tr>
</tbody>
</table>

Source: Euromonitor
Changing Consumer Behaviours

TOP 3 CATEGORIES TO SPEND MORE IF INCOME INCREASES

<table>
<thead>
<tr>
<th>Category</th>
<th>2015 (%)</th>
<th>Changes from 2012 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food</td>
<td></td>
<td>46</td>
</tr>
<tr>
<td>Apparel</td>
<td>37</td>
<td>3</td>
</tr>
<tr>
<td>Health care products</td>
<td>17</td>
<td>1</td>
</tr>
</tbody>
</table>

INCREASING DESIRE FOR PREMIUM PRODUCTS

- « Within a range of prices I can afford, I always pay for the most expensive and best product »
  - Apparel: 28% in 2011, 48% in 2015

INCREASINGLY BRAND LOYAL

- « Only buy brands within my consideration set »
  - Apparel: 61% in 2011, 71% in 2015
Lectra: Shaping the Future of Product Development and the Cutting Room
From Vision to Reality!

Thank you!