

Q1 2010 Financial Results Clearly Exceed Expectations

- Orders for new systems: €17.3 million (+68%)
- Revenues: €43 million (+15%)^(*)
- Income from operations: €2.3 million
- Net income: €1.2 million
- Free Cash Flow: €5 million

(*) like-for-like

(in millions of euros)	January 1 - March 31	
	2010	2009
Revenues	43.0	37.6
Change like-for-like (%) ⁽¹⁾	+15%	
Income (loss) from operations	2.3	(3.2)
Change like-for-like (€M) ⁽¹⁾	+5.7	
Net income (loss)	1.2	(3.2)
Free cash flow ⁽²⁾	5.0	11.6
Equity ⁽³⁾	25.6	24.7
Net financial borrowing ⁽³⁾	43.1	47.8

⁽¹⁾ Like-for-like: 2010 figures restated at 2009 exchange rates

⁽²⁾ Q1 2010 free cash flow does not include the early repayment of the (French) research tax credit in respect of 2009 (€6.2 million), not yet received; in Q1 2009, it included the advance repayment of €14.1 million corresponding to the research tax credits for the years 2005 through 2008

⁽³⁾ At March 31, 2010 and December 31, 2009

Paris, April 29, 2010. Today, Lectra's Board of Directors, chaired by André Harari, reviewed the unaudited consolidated financial statements for the first quarter of 2010.

(Detailed comparisons between 2010 and 2009 are like-for-like. A comparison with figures for 2007, the last year before the onset of the economic and financial crisis, has been added in order to better gauge the impact on sales activity.)

Orders Recover Strongly

2010 has opened with positive signs, with sales activity, income from operations, and free cash flow all rising sharply relative to Q1 2009, and reaching levels clearly beyond the company's expectations.

After seven consecutive quarters of steep declines resulting from the economic crisis, Q1 2010 confirmed the rebound in sales activity registered in Q4 2009. At a total of €17.3 million, orders for new software licenses and CAD/CAM equipment were up 68% compared to Q1 2009 (€10.4 million).

It should be noted, however, that orders for Q1 2009, which were severely affected by the crisis, fell 58% relative to Q1 2007. As a result, and despite rising sharply, orders for Q1 2010 were still down 31% compared to Q1 2007, evidence of the continuing effects of the crisis.

Sales of spare parts and consumables (€9 million) rose 32% relative to Q1 2009, equalizing with their Q1 2007 level. These had registered a steep decline since Q4 2008—a first in the company's history. This sharp rebound is confirmation of the recovery in production volumes at Lectra's customer firms.

Revenues and Earnings Up Sharply

Q1 2010 revenues totaled €43 million overall, up 15% relative to Q1 2009. Revenues from new systems sales (€17.9 million) were up 31%. Recurring revenues (€25.1 million) rose by 6%.

Thanks to cost-cutting measures implemented in 2009, fixed overheads costs and allowances (€25.6 million) are down €3 million (–10%).

Income from operations was €2.3 million. Like-for-like, it was up €5.7 million relative to the loss from operations (€3.2 million) in Q1 2009. The margin on operations (5.3%) increased by 14.2 percentage points compared to the negative margin on operations (–8.5%) in Q1 2009.

In its management discussion published on February 11, 2010, the company stated that it expected income from operations to be slightly negative or close to breakeven. The better-than-anticipated financial results stem from a better-than-anticipated rebound in sales of spare parts and consumables, higher gross profit margins, overhead costs slightly lower than those budgeted, and more favorable exchange rates. Billings for new systems were in line with expectations, the additional orders booked being registered in the order backlog at March 31, 2010 (€15.2 million), which increased by €2.3 million relative to December 31, 2009.

The company registered a net income of €1.2 million, an increase of €4.4 million at actual exchange rates, compared to a net loss of €3.2 million in Q1 2009.

Free Cash Flow Highly Positive – Decrease in Net Financial Borrowings

Free cash flow in Q1 2010 was €5 million. Beyond the impact of the rise in earnings, this robust free cash flow performance can be attributed to a further reduction in the working capital requirement.

Consequently, net financial borrowings decreased by €4.7 million compared to December 31, 2009.

Business Trends and Outlook

The first signs of a recovery in sales activity observed at the end of 2009 were confirmed in Q1 2010. This was demonstrated by the clear rebound in orders for new software licenses and CAD/CAM equipment, and also in sales of spare parts and consumables, even though sales of new systems remain far behind their pre-crisis level.

While the macroeconomic outlook brightened in the first quarter of 2010, the situations in different regions and market sectors remain highly disparate. It will not be until a few quarters have passed that the company will know whether the improvement in macroeconomic conditions is to last or if a further deterioration in the situation is possible. Persistently weak visibility calls for the utmost vigilance.

As stated on February 11, 2010, the two immediate imperatives are to safeguard the company's financial condition in the short term and to limit its exposure to risks.

The main uncertainty for the remainder of fiscal 2010 concerns the level of revenues from new systems sales. Although orders grew significantly in the first quarter, part of this rebound may be the result of a catch-up investment phenomenon, and it is too early to draw any lessons for the coming quarters or for the full year.

Ongoing fulfillment of the parameters of the 2010 plan, the vigorous order flow in Q1, and growth in the order backlog at March 31, 2010, all combine to reinforce expectations of a positive income from operations and net income for the second quarter and the full year, barring any further brutal deterioration in the economy.



The Annual Shareholders' Meeting will take place on April 30, 2010. First half earnings for 2010 will be published on July 29, 2010.

The Management Discussion and Analysis of Financial Condition and Results of Operations and the financial statements for Q1 2010 are available on **lectra.com**.

With nearly 1,400 employees worldwide, Lectra is the world leader in software, CAD/CAM equipment and related services specially created for large-scale users of textiles, leather and industrial fabrics. Lectra serves a broad array of major global markets including the fashion (apparel, accessories, and footwear), automotive (car seats and interiors, airbags), and furniture industries, as well as a wide variety of other sectors, such as the aeronautical and marine industries, wind energy, etc.

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

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