Press Release
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2010: An Outstanding Year, with Record Financial Performance

- Revenues: €190.3 million (+20%)(*)
- Income from operations before non-recurring items: €22.8 million
- Net income: €15.6 million
- Free Cash flow: €44.4 million
- Net financial borrowing down to €2.4 million
- Dividend: €0.18 per share

(*) like-for-like

In millions of euros (€M)	October 1 - December 31		January 1 - December 31	
	2010	2009	2010	2009
Revenues	50.3	42.6	190.3	153.2
Change like-for-like (%) (1)	*+13%*		*+20%*	
Income (loss) from operations before non recurring items (2)	6.3	2.6	22.8	(2.8)
Change like-for-like (in €M) (1)	*+ 2.5*		*+ 22.1*	
Operating margin before non-recurring items (% in revenues)	12.4%	6.2%	12.0%	-1.8%
Income (loss) from operations	5.2	0.7	25.1	(4.7)
Net income (loss)	3.6	0.6	15.6	(3.6)
Free cash flow	22.2	2.0	44.4	9.3
Shareholders' equity (3)			42.0	24.7
Net financial borrowing (3)			2.4	47.8

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

(2) In 2010, before a non-recurring charge of €1.1 million in Q4 and a non-recurring net profit of €2.2 million for the full-year. In 2009, before a non-recurring charge of €1.9 million in Q4 and for the full-year.

(3) At December 31

Paris, February 10, 2011. Today, Lectra's Board of Directors, chaired by André Harari, reviewed the consolidated financial statements for the full year 2010. Audit procedures have been applied to these financial statements; the statutory auditors' certification report will be issued after the Board of Directors meeting on March 1, 2011.

(Detailed comparisons between 2010 and 2009 are like-for-like.)

Q4 2010

Financial Results Rise Sharply, Exceeding the Company's Expectations

Orders for new software licenses and CAD/CAM equipment (€22.1 million) were up 18% like-for-like and 24% at actual exchange rates compared to Q4 2009.

As forecast, the rise was more moderate than the increase registered in the first nine months of 2010 (+69%), Q4 2009 orders had already rebounded by 70% relative to the average for the first three quarters of 2009.

Revenues totaled €50.3 million, up 13% relative to Q4 2009—up 18% at actual exchange rates.

Revenues from new systems sales (€22.6 million) were up 23%. Recurring revenues (€27.7 million) rose by 6%, which represents both a 4% decrease in revenues from recurring contracts and a 25% increase in revenues from spare parts and consumables.

Income from operations before non-recurring items amounted to €6.3 million.

Revenues and income from operations before non-recurring items exceed by €4.3 million and €1.9 million, respectively, the latest expectations, twice revised upward, which were published on October 28, 2010.

At 12.4%, the operating margin before non-recurring items increased by 4.5 percentage points.

The new initiatives to optimize the company's resources add up to a non-recurring charge of €1.1 million. Consequently, after accounting for non-recurring charges, income from operations amounted to €5.2 million.

Net income was €3.6 million – up €3 million at actual exchange rates.

Cash Flow at an Exceptionally High Level

Including the €15.1 million received on October 7 from calls on the bank guarantees relating to the Induyco litigation, free cash flow was exceptionally high, at €22.2 million.

2010

On the strength of its technology and service offer, the company benefited fully from improving macroeconomic conditions in most of its geographies and market segments.

Emerging Countries Have Rebounded Faster and are close to their Pre-Crisis Levels

Overall, orders for new software licenses and CAD/CAM equipment (€78.7 million) are up 51% like-for-like relative to 2009. Orders for new software licenses increased by 34%, and those for CAD/CAM equipment were up 60%.

Despite this sharp rise, orders are still down 30% compared to 2007, the last year before the onset of the crisis.

Orders booked in the Asia-Pacific region jumped 100% (123% in China); in the Americas they rose 44%; and they rose 27% in Europe, where certain countries are still suffering the effects of the crisis. Overall, growth was driven by the emerging countries, where orders now only lag behind their 2007 levels by 10%. By contrast, in developed countries as a whole, orders still lag behind 2007 levels by 40%.

All market sectors—fashion, automotive, furniture, and other industries—contributed to this rebound in orders. The automotive sector registered the strongest upturn, with an increase of 115%.

Revenues Up Sharply

After falling steeply in 2008 and 2009, revenues for 2010 totaled €190.3 million, up 20% like-for-like, and 24% at actual exchange rates.

Overall, revenues from new systems sales (€84.5 million) increased by 44% and represented 44% of total revenues (37% in 2009). This 7 percentage point increase in their relative share in total revenues reflects a return to buoyant sales activity.

Recurring revenues (€105.8 million) increased by €5.6 million (+6%), with a decrease of 4% in revenues from recurring contracts and an increase of 27% in revenues from spare parts and consumables. The latter registered a record €40.2 million, reflecting the growth in production volumes at Lectra's customers.

Revenues from new systems sales regained their position as Lectra's growth driver in 2010, after the two-year crisis period from 2008 to 2009, during which time recurring revenues demonstrated their key role as an essential stabilizing factor and as a cushion for the company.

The order backlog for new software licenses and CAD/CAM equipment (€18.5 million) at December 31, 2010, increased by €5.6 million relative to December 31, 2009.

Income from Operations Up Very Sharply–Operating Margin Reaches A New Historic High

The overall gross profit margin worked out to 71.5%. Like-for-like, it was up 0.1 percentage point relative to the 2009 figure.

Changes in the product mix led to a rise in the share of revenues from CAD/CAM equipment and spare parts and consumables in total activity. Because their specific margins are lower than margins on the other revenue components, this should have led mechanically to a decrease in the overall gross profit margin. However, this impact was more than offset by the sharp increase in gross profit margins, like-for-like, for each product line, for CAD/CAM equipment in particular. This once again demonstrates the competitiveness and high added value of Lectra's offer.

Thanks to cost-cutting measures implemented in 2009, fixed overheads costs dropped €7.7 million (-7%), down to €100.5 million.

Income from operations before non-recurring items (€22.8 million) was up €22.1 million like-for-like. At actual exchange rates, it improved by €25.6 million, relative to the €2.8 million loss in 2009, while revenues increased €37.1 million. The increase in income from operations before non-recurring items therefore represents close to 70% of the increase in revenues, a noteworthy performance.

At 12.0%, the operating margin set a new record. Like-for-like, it increased 12.3 percentage points compared to the negative margin of 1.8% in 2009. This beats the previous historic high of 10%, in 2000, even though the euro/dollar parity was far more favorable in 2000 ($0.92/€1) than in 2010 ($1.33/€1).

Comparison with 2007 illustrates the improvement in the company's operating ratios during the crisis years. Like-for-like, despite a €32 million (-15%) decline in revenues—mainly due to weaker sales of new systems, the decline in recurring revenues being limited to 1%—income from operations before non-recurring items rose 80% to €8.8 million, thanks to a 3.9 percentage point increase in gross margin and a €25 million (-20%) fall in fixed overhead costs.

Income from operations, after accounting for non-recurring items, amounted to €25.1 million.

Record Net income and Free Cash Flow–Sharp Reduction in Net Debt Transforms the Company's Balance Sheet

Net income was €15.6 million, an increase of €19.3 million at actual exchange rates compared to the net loss of €3.6 million in 2009. Excluding the impact of non-recurring items, net income would have amounted to €14.2 million.

Before non-recurring items, free cash flow amounted to €30 million. Leaving aside the impact of the rise in income, this excellent free cash flow performance stems in particular from a further reduction in working capital requirement and reflects the strength of Lectra's business model.

After a net non-recurring income of €14.4 million, free cash flow amounted to €44.4 million.

The September 20, 2010, decision issued by the Madrid Court of Appeals, permitted Lectra to call on the first demand bank guarantees granted by Induyco and enabled Lectra to receive €15.1 million on October 7. In the 2010 consolidated financial statements, this receipt resulted in a €6.1 million reduction in goodwill and a net non-recurring gain of €3.3 million. The balance (€10.7 million) still due by Induyco of the total award (€25.8 million at December 31, 2010) has not been recorded in the financial statements.

Lectra filed a procedure of *exequatur* before the Madrid Court of First Instance at the end of December, in order to enforce in Spain the arbitral award and recover the amounts still due by Induyco.

Free cash flow generated has reduced net financial borrowings by €45.4 million to €2.4 million at December 31, 2010, compared to €47.8 million at December 31, 2009, whereas consolidated shareholders' equity increased by €17.3 million to €42 million.

Dividend Payment Policy Resumes

In light of the company's excellent performance in 2010, and confirming its confidence in the future, the Board of Directors will propose to resume its policy of dividend payments, and to declare a dividend of €0.18 per share in respect of 2010 at the upcoming Shareholders' Meeting, representing a 20% increase on the most recent dividend paid in respect of fiscal year 2006. The dividend will be made payable on May 10, 2011.

2011 Outlook

The macroeconomic context improved in 2010, but pre-crisis conditions have not returned. The situation remains disparate across the different regions and market sectors.

The strategic plan formulated at the end of 2009 amply proved its pertinence in 2010. Today, its overriding objectives remain unchanged, namely to accentuate Lectra's technological leadership and the high added value of its products and services; to strengthen its competitive position and its long-term relationships with customers; to accelerate organic growth once the crisis is definitely over; to boost its profitability by regularly increasing its operating margin; and to generate free cash flow in excess of net income (assuming utilization or receipt of the (French) research tax credit recognized in the year).

The first priority is to restore revenues from new systems sales to their pre-crisis level, before the end of 2012 if possible, putting the company back on a dynamic and sustainable growth path.

All analysts agree that the recovery remains fragile, and a further deterioration in the economic and monetary situation is still possible, especially in Europe and the United States. Visibility is still poor and uncertainties persist, demanding caution and vigilance once again this year. Given these conditions, it is difficult for the company to make precise forecasts.

The company nevertheless enters 2011 having bolstered its key operating ratios, having radically transformed its balance sheet, and with a strong order backlog. The 2011 action plan seeks to preserve the sales momentum restored since the end of 2009, an operating margin equal to or greater than that of 2010, and significant free cash flow generation. As in prior years, the main uncertainty concerns the level of revenues from new systems sales. Given the very strong rebound in sales activity, together with the outstanding results and free cash flow registered in 2010, the basis of comparison for 2011 is high, which will necessarily result in slower growth rates.

Assuming the economic recovery continues at its present pace and generates a 20% growth in revenues from new systems sales, revenues should grow by 10% to around €207 million, and income from operations before non-recurring items should rise by 30% to approximately €28.5 million, thereby generating a 2 percentage point increase in operating margin before non-recurring items, to nearly 14%. In that case, net income would be close to €18 million (+27% at actual exchange rates relative to the 2010 figure, restated for non-recurring items). That would yield a basic net earnings per share of approximately €0.63.

In this hypothesis, therefore, revenues would continue to lag behind the 2007 figure by €10 million (– 4%), but income from operations, on the other hand, would be multiplied by 2.5, testifying to the improvement in the company's key operating ratios in the midst of the crisis.

This may be considered a reasonable assumption on which to build the central scenario for 2011, the company's aim being nonetheless to achieve higher growth. For every €1 million in revenues from new systems sales added to or subtracted from the corresponding figure of the central scenario, the resulting income from operations would vary accordingly by approximately €0.45 million.

In this central scenario, free cash flow is expected to come to around €14 million.

If economic conditions worsen, with orders for new systems remaining flat, revenues would rise by 4% to €195 million. Income from operations before non-recurring items would come to around €24 million (+10%), thereby maintaining the operating margin before non-recurring items at 12%. Net income would come to approximately €15 million, up 7% relative to the 2010 figure restated for non-recurring items.

These figures are based on an average parity of $1.35/€1 and like-for-like variations calculated by comparison with 2010 results translated at 2011 exchange rates.

The company expects to become net cash positive in 2011. Moreover, receipt of the €10.7 million outstanding in respect of the damages awarded to the company by the international arbitral tribunal would strengthen the company’s financial position correspondingly. The company’s present aim is to preserve its cash in order to finance its organic growth.

As the 2010 rebound showed, once the crisis is definitely over, firms in the different geographies and market sectors served by the company will need to accelerate their investment plans or make good the investments either frozen or postponed over the last three years, and to acquire the technologies necessary to boost their competitiveness. The crisis has amplified the challenges they face.

Bolstered by its results, the company is confident in the strength of its business model and its growth prospects for the medium term.

First quarter earnings for 2011 will be published on April 28. The Annual Shareholders' Meeting will take place on April 29, 2011.

Management Discussion and Analysis of Financial Conditions and Results of Operations for Q4 and the fiscal year 2010 are available at www.lectra.com.

With 1,350 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 NYSE Euronext (compartment C).

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