Lectra

Press Release

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First Quarter 2011: Strong Increase in Revenues and Earnings

- Revenues: €49.8 million (+14%)(*)
- Income from operations: €5.5 million (+77%)(*)
- Net income: €3.7 million
- Free cash flow: €3.2 million
- Net cash positive again: €2.3 million

(*) like-for-like

(in millions of euros)	January 1 - March 31	
	2011	2010
Revenues	49.8	43.0
Change like-for-like (%) [(1)]	*+14%*	
Income from operations	5.5	3.0
Change like-for-like (%) [(1)]	*+77%*	
Operating margin (% of revenues)	11.0%	6.9%
Net income	3.7	1.6
Change at actual exchange rates (%)	*+126%*	
Free cash flow [(2)]	3.2	5.0
Equity[(3)]	47.1	42.0
Net cash (+) / Net debt (-)[(3)]	2.3	(2.4)

[(1)] Like-for-like: 2011 figures restated at 2010 exchange rates

[(2)] Before a non-recurring payment of €0.5 million in Q1 2011 and a non-recurring payment of €0.4 million in Q1 2010.

[(3)] At March 31, 2011 and December 31, 2010

Paris, April 28, 2011. Today, Lectra's Board of Directors, chaired by André Harari, reviewed the unaudited consolidated financial statements for the first quarter of 2011.

(Detailed comparisons between 2011 and 2010 are like-for-like.)

First-quarter 2011 orders and earnings confirm that the sales dynamics are ongoing and that the operating and financial ratios—which had already significantly strengthened in 2010—are continuing to improve.

Continuation of the Strong Sales Dynamics Recorded in 2010

At a total of €21.9 million, orders for new software licenses and CAD/CAM equipment were up 25% compared to Q1 2010.

Despite their strong rebounds recorded in 2010 and again in 2011, orders were still down 11% compared to Q1 2007, as activity in many industrialized countries remains yet to recover pre-crisis levels.

Geographically, the situation reveals certain contrasts. Orders rose 48% in Europe (led by Germany and Eastern Europe) and 33% in Asia-Pacific, but they dropped 5% in the Americas and 18% in the rest of the world (North and South Africa, Turkey, the Middle East, etc.). Orders in emerging countries (45% of total orders) advanced 17%, while in developed countries (55% of total orders), which had grown more moderately in 2010, they were up 32%. Compared to 2007, they still lag behind by 8% and 14%, respectively.

The market sectors revealed the same contrast. Fashion remained essentially stable (-2%), whereas the automotive sector continued to show its vigor (+115%). Furniture advanced 43%, and the other industries were down 17%.

Sales of spare parts and consumables, up 14% at €10.4 million, registered new, strong gains, resulting from the combined effect of the increasing number of installed CAD/CAM systems and the continuing recovery in customers' production volumes.

These variations over a single quarter cannot, of course, allow for an extrapolation of trends for the coming quarters.

Strong Growth in Operating Margin

Revenues totaled €49.8 million, up 14% relative to Q1 2010—up 16% at actual exchange rates. Revenues from new systems sales (€23.5 million) were up 30%. Recurring revenues (€26.3 million) rose by 3%.

At March 31, 2011, the order backlog (€19.2 million) increased by €0.7 million relative to December 31, 2010, and by €4 million relative to March 31, 2010.

Fixed overheads costs (€26.5 million) were up 2%. Variable costs (€3.4 million) increased 51%, reflecting the growth in sales activity and earnings.

Income from operations was €5.5 million. Like-for-like, it amounted to €5.3 million, an increase of €2.3 million (+77%) relative to Q1 2010. There were no non-recurring items in the first quarters of 2011 or 2010.

The operating margin was 11%. Like-for-like, it worked out to 10.8% and increased by 3.9 percentage points compared to Q1 2010 (6.9%).

After an income tax charge of €1.6 million, net income was €3.7 million (€1.6 million in Q1 2010).

Net Cash Positive Again

Free cash flow before non-recurring items was €3.7 million (€5.4 million in Q1 2010).

Consequently, net financial borrowings were down €4.7 million relative to December 31, 2010, the quarter ending with net cash of €2.3 million, compared to net financial borrowings of €43.1 million one year earlier.

Payment of Dividend

Upon approval at the April 29 Shareholders' Meeting, a dividend of €0.18 per share in respect of 2010 will be paid on May 10, 2011.

Business Trends and Outlook

The company discussed in detail its expectations regarding its activities and the outlook for the future in its Management Discussion of February 10, 2011, and in its 2010 Annual Report, both of which serve as a reference.

While the macroeconomic environment has continued to improve since the start of 2011, it has still not reverted to pre-crisis levels yet. The recovery remains fragile, with persistent risks and uncertainties, and a further deterioration in the economic and monetary situation remains possible, demanding continuing caution and vigilance.

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.

Sales activity and earnings for Q1 2011 are generally in line with company expectations, confirming the strengthening of its operating ratios and the transformation of its balance sheet, with a strong order backlog. However, the situation remains disparate across the different regions and market sectors, and the combined activity of all Lectra customers has yet to recover its 2007 level.

The company has adopted as its central scenario for 2011, assuming that the economic recovery continues at its present pace and generates a 20% growth in revenues from new systems sales, revenues of around €207 million (+10%), and income from operations before non-recurring items of approximately €28.5 million (+30%), thus generating an operating margin before non-recurring items of close to 14% (+2 points). 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 basic net earnings per share of approximately €0.63. Finally, free cash flow would be expected to come to around €14 million.

In this hypothesis, therefore, revenues would still 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.

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 euro's recent rise has resulted in a parity, at this date, of $1.48/€1. If this parity is maintained until the end of the year, it would mechanically reduce revenues by €4.6 million and income from operations by €2.3 million, relative to the central scenario (like-for-like variations relative to 2010 results remaining unchanged).

2011 should also be the year in which net cash becomes positive again, after payment of the dividend in respect of fiscal 2010, whereas net financial borrowings peaked at €56.4 million at the end of 2008.

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 half 2011 earnings will be published on July 28, 2011.

The Management Discussion and Analysis of Financial Condition and Results of Operations and the financial statements for Q1 2011, as well as the 2010 Annual Report, are available on **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, leathers, 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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