Press Release

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2011: Record Financial Performance, for the Second Consecutive Year

- Revenues: €205.9 million (+10%)(*)
- Income from operations before non-recurring items: €28.9 million (+35%)(*)
- Net income: €19.2 million
- Free cash flow: €14.2 million
- Net cash: €8.6 million
- Dividend: €0.22 per share (+22%)

(*) like-for-like

In millions of euros	October 1 - December 31		January 1 - December 31	
	2011	2010	2011	2010
Revenues	52.6	50.3	205.9	190.3
Change like-for-like (%) [1]	*+4%*		*+10%*	
Income from operations before non-recurring items [2]	7.2	6.3	28.9	22.8
Change like-for-like (%) [1]	*+11%*		*+35%*	
Operating margin before non-recurring items (% in revenues)	13.8%	12.4%	14.0%	12.0%
Income from operations	7.2	5.2	28.9	25.1
Net income	4.6	3.6	19.2	15.6
Free cash flow	1.4	22.2	14.2	44.4
Shareholders' equity [3]			58.7	42.0
Net cash (Net financial borrowings) [3]			8.6	(2.4)

(1) Like-for-like: 2011 figures restated at 2010 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. No non-recurring items in 2011.

(3) At December 31

Paris, February 9, 2012. Today, Lectra's Board of Directors, chaired by André Harari, reviewed the consolidated financial statements for the fiscal year 2011.

(Unless stated otherwise, detailed comparisons between 2011 and 2010 are like-for-like.)

Q4 2011

Orders Slowed by a Renewed Deterioration of Economic Conditions

The vigorous sales growth seen in the first half of 2011 (+24% in orders for new software licenses and CAD/CAM equipment relative to the first half of 2010) was weakened in Q3 (+4%). The accelerated deterioration of the economic, financial and monetary climate in the closing months of 2011 increased concerns and weighed heavily on companies' investment decisions, leading to a significant fall in orders in Q4.

Orders for new software licenses and CAD/CAM equipment (€14.7 million) were down 34% compared to Q4 2010.

Revenues and Financial Results in Line with Company Expectations

Revenues (€52.6 million) were up 4% (+5% at actual exchange rates).

Revenues from new systems sales (€24.3 million) were up 6%. Recurring revenues (€28.3 million) were up 2%, reflecting a 1% increase in revenues from recurring contracts and a 3% increase in revenues from spare parts and consumables.

Income from operations amounted to €7.2 million, and the operating margin was 13.8% (+€0.7 million and +0.9 percentage point, relative to income from operations before non-recurring items and to the operating margin before non-recurring items for Q4 2010). They increased €1 million and 1.4 percentage points at actual exchange rates.

Net income (€4.6 million) increased €0.9 million at actual exchange rates compared to Q4 2010, when net income was reduced by a non-recurring charge of €1.1 million.

Free cash flow was €1.4 million, which was lower than the Company's expectations of October 27 due to weak orders.

2011: Performance all the More Remarkable Given the Worse-than-Expected Macroeconomic Environment

The rebound in activity in 2010 led to record financial results for Lectra and enabled it to enter 2011 with stronger key operating ratios, a radically transformed balance sheet, and a solid order backlog. This performance constituted a high basis of comparison for 2011.

Financial results for the year are in line with the central scenario announced by the company on February 10, 2011, as updated only by the impact of exchange rate fluctuations.

Lectra registered another record financial performance in 2011, after that achieved in 2010.

Orders Remain Stable, Coming After Very Strong Growth in the First Half

Overall, orders for new software licenses and CAD/CAM equipment (€78.4 million), increased 2% relative to orders in 2010. The latter had already increased 51% relative to 2009, a year severely affected by the crisis.

While the automotive sector once again recorded a very strong increase (+64%) after a rise of 115% in 2010, the fashion sector was down 22%. For the first time in the company's history, the relative share of the automotive market (41% of total orders as opposed to 26% in 2010) was very close to that of the fashion sector (45% as opposed to 58%).

Orders booked in the Americas jumped 17%—driven by the United States and Mexico—while they rose 10% in the Asia-Pacific region. In Europe they were down 5%—with the Eastern European countries registering strong growth and the others a decline—and in the rest of the world (Northern Africa, South Africa, Turkey, the Middle East, etc.) they were down 35%. Orders in emerging countries increased 7%; those in developed countries dropped 3%.

While the vitality of the emerging countries—powered by China (+17%), Brazil (+28%), and Mexico (+77%)—have for the most part caught up after their shortfall, now behind by only 6% compared to 2007, developed countries are still lagging behind by 42%. Currently, emerging countries account for the majority of aggregate orders, their share rising from 41% in 2007 to 53% in 2011.

Revenues Continue to Grow

Revenues (€205.9 million) were up 10% like-for-like and 8% at actual exchange rates, compared to 2010. In 2010, they had already risen 20%, following sharp falls in 2008 and 2009.

Growth worked out to 3% in Europe, 12% in the Americas, and 30% in the Asia-Pacific region. These three regions accounted for 49% (including 10% for France), 21%, and 25% of total revenues respectively.

Although orders were stable, revenues from new systems sales (€97.7 million) increased 18% thanks to the strong opening order backlog. Recurring revenues (€108.2 million) increased 3%, with a decrease of 1% in revenues from recurring contracts and an increase of 10% in revenues from spare parts and consumables. The latter registered a historic record of €43.7 million (representing 21% of aggregate revenues), reflecting the growth in production volumes and the expanding installed base.

Orders for new software licenses and CAD/CAM equipment were below corresponding revenues; the order backlog (€10.5 million) is thus down sharply relative to December 31, 2010 (€18.5 million). This decline is a direct result of the slowdown in orders in the closing months of the year.

Income from Operations and Net Income Up Very Sharply—Operating Margin Rises to a New Historic High

Income from operations reached €28.9 million. Like-for-like, it was up €7.9 million (+35%) relative to income from operations before non-recurring items in 2010 (+6.1 million, or 27%, at actual exchange rates).

The operating margin (14%) rose once again compared to the operating margin before non-recurring items in 2010, which had already reached a record 12%. Its highest previous level was 10% in 2000. Like-for-like, it was up 2.7 percentage points.

Net income was €19.2 million, representing 9.3% of revenues.

A Transformed Balance Sheet, Returning to a Positive Net Cash Position

With free cash flow of €14.2 million (bringing cumulative free cash flow before non-recurring items generated in 2010 and 2011 to €45.2 million, and to €58.6 million after non-recurring items), the net cash position is positive at €8.6 million at December 31, 2011, whereas the company had net financial debt of €2.4 million at December 31, 2010, and of €47.8 million on December 31, 2009. This therefore represents an improvement of €11 million in the fiscal year and €56.4 million in two years, after payment of a total dividend of €5.2 million in May 2011.

Shareholders' equity rose €16.7 million to €58.7 million.

Restated for the (French) research tax credit of 2010 and 2011, which has not been received and has not been offset against a tax charge, the working capital requirement was negative at €11.5 million. This is a key feature of the company's business model.

A Dividend Increase

Confirming its confidence in the company's future prospects, despite new macroeconomic turbulence, the Board of Directors will propose at the upcoming Shareholders' Meeting of April 27, 2012, that a dividend of €0.22 per share be declared in respect of fiscal 2011, representing a 22% increase. Subject to approval by the Shareholders' Meeting, the dividend will be made payable on May 10, 2012.

Outlook

The year 2011 ended with the return to a situation of economic, financial, and monetary crisis, of unknown scale and duration, in addition to downward revisions of growth forecasts for 2012 and 2013 for most developed and emerging countries. Upcoming elections in several countries could further accentuate these uncertainties.

The alternation of good news and bad news, the lack of visibility, and the growing concerns of companies so long as there are still no signs of a sustainable improvement in the economy will weigh heavily on those companies' investment decisions.

The clear and ambitious 2010-2012 strategic roadmap, formulated at the end of 2009, amply demonstrated its pertinence in 2010 and in 2011. Today, its overriding objectives remain unchanged.

The Company has Decided to Focus its Long-Term Strategy

The company enters 2012—which, experts agree, will be not only difficult but also unpredictable—with totally different financial and operating fundamentals compared to the eve of 2008-2009.

Its historic financial performance in 2010 and 2011 has again demonstrated its resilience. Its balance sheet has been radically transformed and is now very strong, thereby eliminating any liquidity risk for the coming years. In addition, the company has continued to invest in R&D, and has renewed and expanded its technology offer. Finally, despite even tougher competition as a result of the economic climate, Lectra has successfully raised its operating margin from 5% in 2007 to 14% in 2011.

Should the euro's weakness against the dollar continue, the parity having started the year below the $1.30 /€1 mark, this would be a beneficial factor in the company's competitiveness.

On the other hand, the sharp drop in sales activity in the closing months of 2011 penalized the order backlog at January 1, starting the year €8 million below the prior year's figure. Orders could remain weak for all or part of the year, until business investments pick up again.

Given this lack of visibility, caution and vigilance must be maintained.

In this context, the company has decided to give precedence to its long-term strategy rather than to profitability in 2012—which will nonetheless remain higher than its pre-crisis level. Its first established priority is to bolster its roadmap for accelerating its growth and its capacity to create value for its customers—its primary objective—and hence also for its teams and shareholders.

The strengthening of Lectra's sales and marketing teams and the continuation of its steadfast investment in R&D constitute the keys to accelerating the company's full-scale transformation plan over the next 24 months, so as to enable it, as soon as the economic crisis ends, to fully realize its growth potential in its most promising geographic markets and market sectors. Considering the drastic cuts already made over the last few years, these expenditures to build for the future will therefore result in a more significant rise in fixed overhead costs than in 2011.

2012 Outlook

As in previous years, the main uncertainty concerns the level of revenues from new systems sales. Regardless of the hypotheses used regarding orders for new systems booked, revenues would continue to be affected by the low order backlog at the beginning of the year and would be lower than the total figure for corresponding orders in 2012.

Given the level of the order backlog at January 1, Q1 2012 revenues and income from operations are expected to be down relative to Q1 2011, reaching approximately €47 million and €3 million respectively.

The Group has assumed an average parity of $1.30/€1 in 2012 (variations are like-for-like).

Assuming economic conditions in the first half of the year remain as deteriorated as they were in Q4 2011 and then return to their level of the first half of 2011, orders for new systems in fiscal 2012 could rise 4% relative to 2011, with revenues from new systems sales declining approximately 9%, resulting in total revenues of around €206 million (stable relative to 2011 at actual exchange rates, and – 3% like-for-like). Income from operations before non-recurring items would come to around €21 million (– 34%), thereby generating an operating margin before non-recurring items of around 10% and a net income of around €14 million (– 27% at actual exchange rates).

The company's ambition is to achieve higher growth.

Free cash flow should exceed net income less the 2012 (French) research tax credit (around €5.7 million), capital expenditures being limited to around €5-6 million (and R&D expenditures being expensed in full).

Net income and free cash flow expected for 2012 will continue to bolster the company's cash position and its balance sheet. Lectra's current objective is to continue its dividend payment policy and to preserve its cash in order to finance targeted acquisitions in the future, should such opportunities arise, with organic growth financed out of its own cash thanks to the company's business model.

Bolstered by its performance in 2011 and with the pertinence of its 2012 action plan, the company is confident in the strength of its business model and its growth prospects for the medium term.

First quarter earnings for 2012 will be published on April 26. The Annual Shareholders' Meeting will take place on April 27, 2012.

Management Discussion and Analysis of Financial Conditions and Results of Operations for Q4 and the fiscal year 2011 are available at www.lectra.com. Audit procedures have been applied to the consolidated financial statements. The statutory auditors' certification report will be issued after the Board of Directors meeting on February 23, 2012, which will approve the notes to the consolidated financial statements.

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, mainly fashion (apparel, accessories, and footwear) and automotive (car seats and interiors, airbags), as well as a wide variety of other sectors, such as furniture industries, aeronautical and marine industries, wind energy, etc.

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

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