Press Release

Contact: Nathalie Fournier-Christol
E-mail: n.fournier-christol@lectra.com
Office: +33 (0)1 53 64 42 37 - Fax: +33 (0)1 53 64 43 40

First Half 2012: Financial Results Exceed Company Expectations, Despite Weakened Economic Conditions

- Revenues: €99.5 million (–6%)(*)
- Income from operations: €9.3 million (–40%)(*)
- Net income: €6.3 million
- Free cash flow: €8 million
- Net cash: +€10.5 million

(*) like-for-like

In millions of euros	April 1 - June 30 [3]		January 1 - June 30	
	2012	2011	2012	2011
Revenues	51.7	52.4	99.5	102.1
Change like-for-like (%) [1]	*-6%*		*-6%*	
Income from operations	5.5	7.4	9.3	12.9
Change like-for-like (%) [1]	*-41%*		*-40%*	
Operating margin (in % of revenues)	10.6%	14.2%	9.4%	12.6%
Net income	3.6	5.1	6.3	8.8
Free cash flow	2.9	5.2	8.0	8.4
Shareholders' equity [2]			58.4	58.7
Net cash [2]			10.5	8.6

(1) Like-for-like: 2012 figures restated at 2011 exchange rates

(2) At June 30, 2012 and December 31, 2011

(3) Isolated data for Q2 2012 and Q2 2011 have not been reviewed by the Statutory Auditors

Paris, July 26, 2012. Today, Lectra's Board of Directors, chaired by André Harari, reviewed the consolidated financial statements for the first half of 2012, after a limited review by the Statutory Auditors.

(Unless stated otherwise, comparisons between 2012 and 2011 are like-for-like.)

Q2 2011: Orders Still Slowed by Persistently Weakened Economic Conditions

Business conditions further weakened in the second quarter of 2012, and economic downturn in many developed and emerging countries.

Against this background, customers were increasingly hesitant to place new orders, with orders for new software licenses and CAD/CAM equipment down 20% compared to Q2 2011, at €17.7 million.

Sales of spare parts and consumables were down 2% at €11.2 million, reflecting a contraction in customers' production volumes.

Revenues (€51.7 million) were down 6% (–1% at actual exchange rates). Revenues from new systems sales (€23.4 million) were down 14% while recurring revenues (€28.3 million) rose 1%.

Income from operations (€5.5 million) was down €3.1 million (–41%) and the operating margin decreased by 5.4 percentage points to 10.6%. At actual exchange rates, income from operations was down €1.9 million (-26%) and the operating margin decreased by 3.6 percentage points.

Net income (€3.6 million) was down €1.5 million (–30%) at actual exchange rates.

The Company's Transformation Plan is Proceeding as Intended

Despite the prevailing economic conditions, the company has decided to give precedence in 2012 to its long-term strategy rather than to profitability, strengthening its sales and marketing teams and pursuing its steadfast investment in R&D over the period 2012-2013.

This plan is proceeding as intended and its effects will start to be felt in full from 2014 onward, positioning the company to fully realize its growth potential in its most promising geographic markets and market sectors, once the economic crisis is over, whereas the corresponding expenses are accounted for in 2012 fixed overhead costs.

Launch of the New Generation of Vector Cutters

On July 2, Lectra announced the launch of its new generation of Vector automated cutters for fabric as well as composite materials. Lectra has dedicated exceptional resources to its development, giving birth to a complete, integrated and unique offer enabling customers to benefit from better control and optimization of their production, which in turn increases their competitiveness and profitability.

The company had previously launched the new Versalis range of leather cutters for the leather goods industry in mid-2011, for the automotive industry at the end of 2011, and at the beginning of 2012 for furniture.

First-Half 2012: Financial Results Ahead of Company Expectations

Revenues and income hypotheses for the fiscal year formulated by the company on February 9, 2012, assumed that economic conditions would remain as weak as in Q4 2011 until June 30. Its roadmap anticipated, for the first-half, revenues of €95 million and income from operations of €7.2 million.

Orders

Orders for new software licenses and CAD/CAM equipment (€36.7 million) are down 18% relative to first-half 2011.

They increased by 8% in North America but were down 30% in South America, making a decline of 5% for the Americas as a whole. Orders fell by 14% in Europe, and by 34% in the Asia-Pacific region; they rose 16% in the rest of the world (Northern Africa, South Africa, Turkey, the Middle East, etc.).

Orders in emerging countries fell by 13%, though they remain predominant with 54% of total orders. Orders in developed countries were down 22% and represent 46% of total orders.

The decline in orders affected all market sectors: orders were down 16% in fashion, 19% in automotive, 20% in furniture, and 18% in the other industries.

Revenues

First-half 2012 revenues (€99.5 million) were down 6% like-for-like (–3% at actual exchange rates). Revenues from new systems sales (€43.6 million) were down 15% and represented 44% of total revenues (48% in 2011). Recurring revenues (€55.9 million) increased €1.1 million (+2%) resulting from a 4% increase in recurring contracts, while revenues from spare parts and consumables remained stable.

The order backlog for new software licenses and CAD/CAM equipment at June 30, 2012 was down €2.2 million relative to January 1, at €8.3 million.

Income from Operations and Net Income

The overall gross profit margin worked out to 72.6%. Like-for-like, it came to 72%, up 1.6 percentage points relative to first-half 2011 (70.4%). This increase results from a combination of the change in product mix and the increased gross profit margin on all product lines.

Income from operations (€9.3 million) decreased €5.1 million (–40%) and the operating margin (9.4%) decreased 4.5 percentage points. At actual exchange rates, the decline was €3.5 million (–28%) and 3.2 percentage points.

Net income (€6.3 million) decreased 29% at actual exchange rates.

Net earnings per share on basic capital were €0.22 and on diluted capital €0.21 (€0.31 and €0.30 in first-half 2011).

Free Cash Flow and Balance Sheet

Free cash flow amounted to €8 million (€8.4 million in first half 2011). If the (French) research tax credit for the first half (€2.9 million) had been received, free cash flow would have amounted to €10.9 million, exceeding net income by €4.6 million.

At June 30, 2012, consolidated shareholders' equity amounted to €58.4 million. Cash and cash equivalents totaled €27.8 million and the net cash position was positive at €10.5 million, after payment of the €6.3 million dividend declared in respect of fiscal 2011.

Business Trends and Outlook

The company described its outlook for the current year and for the medium term at length in its financial review on February 9, 2012, and in its 2011 Annual Report, to which readers are invited to refer.

The company formulated two revenue and income hypotheses for the fiscal year, which were identical for the first half of the year, then diverged for the second half depending on economic conditions.

The first hypothesis assumed that economic conditions in the first half of the year would remain as weak as in Q4 2011 and then return to their level of the first half of 2011. The second hypothesis assumed that the economy would remain as weak throughout the year.

Macroeconomic conditions have not improved since the beginning of the year, and have even shown signs of worsening.

Under its second hypothesis, currently the most probable, the company considered that orders for new systems could fall 17%, with corresponding revenues falling around 24%. This would result in total revenues of approximately €190 million. Income from operations before non-recurring items would come to around €15 million, generating an operating margin before non-recurring items of approximately 8%, and net income of approximately €10 million—exceeding the company's pre-crisis performance. These figures were based on an average parity of $1.30/€1.

The company's first-half performance is ahead of this scenario, suggesting that revenue and income could exceed these figures if this advance was maintained in the second half.

As the very strong rebound in orders in 2010 and in the first half of 2011 showed, once the crisis is definitely over, companies in the different geographic markets and market sectors served by the company will need to accelerate their investment plans or make good the investments they have either frozen or postponed over several years and to acquire the technologies necessary to boost their competitiveness. The crisis and its further developments in 2012 have amplified the challenges they face.

Bolstered by its performance in 2010 and 2011, the strength of its business model and the pertinence of its 2012 action plan, the company is confident in its growth prospects for the medium term.

Q3 2011 earnings will be published on October 25, 2012.

The Management Discussion and Analysis of Financial Condition and Results of Operations and the financial statements for the first-half 2012 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, mainly fashion (apparel, accessories, and footwear), automotive (car seats and interiors, airbags), and furniture as well as a wide variety of other sectors, such as aeronautical and marine industries, wind energy, etc.

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

lectra.com

Lectra – World Headquarters & siège social : 16–18, rue Chalgrin • 75016 Paris • France
Tél. +33 (0)1 53 64 42 00 – Fax +33 (0)1 53 64 43 00 – www.lectra.com
Société anonyme au capital de € 28 918 680 • RCS Paris B 300 702 305