Press Release
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First Nine Months of 2012: Revenues and Income Ahead of Company Expectations

- Revenues: €147.3 million
- Income from operations: €14.7 million
- Operating margin: 10%
- Net income: €10.1 million
- Free cash flow: €5.7 million
- Net cash: €8.5 million

In millions of euros	July 1 - September 30		January 1 - September 30	
	2012	2011	2012	2011
Revenues	47.9	51.2	147.3	153.3
Change like-for-like (%) (1)	*-11%*		*-7%*	
Income from operations	5.4	8.8	14.7	21.7
Change like-for-like (%) (1)	*-50%*		*-44%*	
Operating margin (in % of revenues)	11.2%	17.2%	10.0%	14.1%
Net income	3.8	5.8	10.1	14.6
Free cash flow	(2.3)	4.5	5.7	12.8
Shareholders' equity(2)			62.5	58.7
Net cash(2)			8.5	8.6

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

(2) *At September 30, 2012 and December 31, 2011*

Paris, October 25, 2012. Today, Lectra's Board of Directors, chaired by André Harari, reviewed the unaudited consolidated financial statements for the third quarter and first nine months of 2012.

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

Q3 2012: Orders for New Software Licenses and CAD/CAM Equipment Still Slowed by Persistently Weakened Economic Conditions, while Recurring Revenues Increase

Since the beginning of the year, macroeconomic conditions have not improved and have even shown signs of worsening from the second quarter onward. Against this background, purchasing decisions remained on hold in Q3, with orders for new software licenses and CAD/CAM equipment down 12% compared with Q3 2011, to €19.5 million.

Revenues (€47.9 million) were down 11% (–7% at actual exchange rates). Revenues from new systems sales (€18.9 million) were down 26% while recurring revenues (€29 million) have increased at a greater rate, from 2% in H1 to 4%, thanks to a 5% increase in revenues from recurring contracts (€17.2 million) and to a 2% increase in revenues from spare parts and consumables (€11.4 million).

Income from operations (€5.4 million) was down €4.4 million (–50%) and the operating margin (11.2%) by 7.6 percentage points. At actual exchange rates, income from operations was down €3.4 million (-39%) and the operating margin decreased by 6 percentage points.

Net income (€3.8 million) was down €2 million (–35%) at actual exchange rates.

The Company's Transformation Plan is Proceeding as Intended

Despite the prevailing economic conditions, and as stated in its February 9, 2012 report, the company has prioritized its long term strategy in 2012, rather than short term profitability, accelerating its transformation with a 24-month program to bolster its sales and marketing teams, and through sustained investment in R&D.

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. For the current fiscal year, it represents a reinvestment equal to 3 percentage points of Lectra's operating margin. As a result, fixed overhead costs will rise by around €6 million, or two-thirds of the total planned increase of €9 million (+9%). This future-oriented spending is expensed in the year, although the benefits will only be felt in future years.

Launch of the New Generation of Vector Automated Cutters

On July 2, Lectra launched its new generation of Vector automated cutters for fabric as well as composite materials, which represents a major advance and proved an immediate success. 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 its new Versalis range of automated leather cutters for the leather goods industry in mid-2011, for the automotive industry at the end of 2011, and for furniture at the beginning of 2012.

First Nine Months 2012: Revenues and Income Still Ahead of Company Expectations

Based on the hypothesis that economic conditions would remain as weak throughout the whole of 2012 as in Q4 2011, formulated on February 9, 2012 as one of two scenarios for the year and considered on July 26 to be the most likely, the company's roadmap anticipated revenues of €142 million and income from operations of €11.5 million for the first nine months of the year. Results already exceeded the company's expectations under this scenario at June 30, and have improved since that date, with revenues €5.3 million ahead, and income from operations €3.2 million ahead, at September 30.

Orders for new software licenses and CAD/CAM equipment (€56.2 million) were down 16% relative to the first nine months of 2011.

Revenues (€147.3 million) were down 7% (–4% at actual exchange rates). Revenues from new systems sales (€62.5 million) were down 19% while recurring revenues (€84.9 million) increased by €2.2 million (+3%).

The order backlog for new software licenses and CAD/CAM equipment at September 30, 2012 increased by €0.5 million relative to January 1, to €11 million.

Income from Operations and Net Income

Income from operations was €14.7 million and decreased by €7 million (–32%) at actual exchange rates relative to income from operations for the first nine months of 2011 (€21.7 million).

The €7 million fall in income from operations results from a €7.5 million decline in revenues from new systems sales, and a €4.1 million increase in fixed overhead costs related to the transformation plan. To these two impacts are added the natural increase in fixed overhead costs (€2.3 million) as well as the favorable impact of the increase in recurring revenues (€2 million), of the improvement in gross profit (€2.3 million), and of currency fluctuations (€2.5 million).

Like for like, income from operations decreased by €9.5 million (–44%).

The operating margin was 10%, down 4.1 percentage points at actual exchange rates compared with the operating margin of the first nine months of 2011 (14.1%). Like for like, it was down 5.5 percentage points.

Net income (€10.1 million) decreased by 31% at actual exchange rates.

Net earnings per share on basic capital were €0.35 and on diluted capital €0.34 (€0.51 and €0.50 per share in the first nine months of 2011).

Free Cash Flow and Net Cash

Free cash flow amounted to €5.7 million. If the (French) research tax credit for the first nine months (€4.3 million) had been received, free cash flow would have amounted to €10 million, and would have been lower than net income by only €0.1 million.

Cash and cash equivalents totaled €25.8 million and the net cash position was positive at €8.5 million, after payment of the €6.3 million dividend declared in respect of fiscal 2011.

Business Trends and Outlook

Macroeconomic conditions are expected to remain weak in Q4, virtually unchanged from those in the first nine months of the year.

Based on this assumption regarding business conditions, the company considered on February 9 that orders for new systems could fall by 17%, with corresponding revenues falling by around 24%. This would result in total revenues of approximately €190 million for the fiscal year. 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, however, the company's pre-crisis performance.

The company's first-half performance exceeded this scenario. Results at September 30 further improved this advance, suggesting that revenues and income for the fiscal year could exceed the figures anticipated in this scenario.

The company entered 2012 having entirely transformed its financial and operating fundamentals relative to the eve of the outbreak of the economic and financial crisis in 2008-2009. Its balance sheet has been radically transformed and is now very strong.

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

The company will present its outlook for 2013 together with its strategy and its objectives for 2015, on February 12, 2013.

Q4 and FY 2012 earnings will be published on February 12, 2013.
The Management Discussion and Analysis of Financial Condition and Results of Operations and the financial statements for the first nine months of 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 the aeronautical and marine industries, and wind turbines.

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

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