Lectra

Press Release

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First Nine Months of 2014: Increase in Revenues, Income From Operations and Free Cash Flow*

- Revenues: €153.9 million (+4%)**
- Income from operations*: €13.4 million (+9%)**
- Net income: €9.7 million
- Free cash flow: €9.3 million
- Net cash: €32.1 million

* *Income from operations and free cash flow before 2013 non-recurring items*
** *Like-for-like*

in millions of euros	July 1 – September 30		January 1 – September 30	
	2014	2013	2014	2013
Revenues	53.8	50.8	153.9	150.0
Change like-for-like (%)(1)	*+6%*		*+4%*	
Income from operations before non-recurring items	7.3	6.1	13.4	13.2
Change like-for-like (%)(1)	*+17%*		*+9%*	
Operating margin before non-recurring items (in % of revenues)	13.5%	11.9%	8.7%	8.8%
Income from operations(2)	7.3	6.1	13.4	24.3
Net income(2)	5.1	4.2	9.7	18.8
Free cash flow(2)	2.7	1.9	9.3	16.0
Shareholders' equity(3)			89.0	83.8
Net cash(3)			32.1	28.6

(1) Like-for-like: 2014 figures restated at 2013 exchange rates
(2) In 2013, the €11.1 million received from the litigation against Induyco resulted in a non-recurring income of the same amount, a net income of €10 million and an increase of €11.1 million in free cash-flow and cash position
(3) At September 30, 2014 and December 31, 2013

Paris, October 29, 2014. 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 2014.

(Unless stated otherwise, comparisons between 2014 and 2013 are like-for-like).

Q3 2014: Increase in Revenues, Income From Operations and Net Income

Orders for new systems totaled €23.7 million; they were €19 million and €24.8 million respectively in Q1 and Q2 2014.

They were up €0.9 million (+4%) compared with Q3 2013, the highest quarter of that year.

New software licenses (€5.7 million) increased by 26%; CAD/CAM equipment (€14.7 million) decreased by 4%, while training and consulting (€2.7 million) rose by 13%.

Revenues (€53.8 million) were up 6% (+6% at actual exchange rates). Revenues from new systems sales (€23.3 million) increased by €2 million (+9%), while recurring revenues (€30.5 million) rose by €0.9 million (+3%).

Income from operations (€7.3 million) is up €1 million (+17%), like-for-like.

At actual exchange rates, income from operations increased by €1.2 million (+20%) and net income (€5.1 million) was up €0.8 million (+20%).

Free cash flow (€2.7 million) increased by €0.8 million.

Implementing the Company's Transformation Plan

In its 2013 annual report, the company restated its strategic roadmap for 2013-2016, as well as its transformation plan and investments for the future, launched at the end of 2011, representing €50 million and presented its first progress report.

These investments are fully expensed, although their benefits will only be felt progressively.

First Nine Months of 2014: Financial Results Overall in Line with the Company's Minimum Objective

The roadmap corresponding to the company's minimum objective communicated on February 11, 2014 anticipated revenues of €157 million for the first nine months of 2014 and income from operations of €12.4 million.

While revenues at actual exchange rates for the first nine months (€153.9 million) are behind the roadmap by €3.1 million (–2%)—owing to weak Q1 orders for new systems—income from operations (€13.4 million) is €1 million ahead of the roadmap thanks to a more favorable sales mix, improved margins and lower-than-expected overhead costs.

Rise in Orders and Revenues, Order Backlog up

Orders for new systems (€67.5 million) were up €5.5 million (+9%) relative to the first nine months of 2013.

Revenues (€153.9 million) were up 4% (+3% at actual exchange rates).

Revenues from new systems sales (€64 million) rose by 5%, while recurring revenues (€89.9 million) rose by 4%.

At September 30, 2014, the order backlog for new systems (€17.2 million) was up €4 million relative to December 31, 2013, at actual exchange rates.

Operation Margin before Non-Recurring Items Rises despite the Increased Weight of Investments for the Future

Gross profit amounted to €113.3 million. Its €7.2 million increase relative to the first nine months of 2013 is €0.6 million higher than the growth in revenues, an outstanding performance. The overall gross profit margin was 73.6%.

Income from operations (€13.4 million) increased €1.2 million (9%) and the operating margin (8.7%) was up 0.4 points compared to income from operations and the operating margin before non-recurring items for the first nine months of 2013.

At actual exchange rates, investments for the future related to the company's transformation plan accounted for 2.1 percentage points in the reduction of operating margin before non-recurring items relative to the first nine months of 2013, and for 6.3 percentage points relative to the first nine months of 2011 (14.1%), before the transformation plan's inception.

Net income reached €9.7 million (€8.8 million for the first nine months of 2013 excluding non-recurring items).

Free cash flow amounted to €9.3 million (€4.9 million for the first nine months of 2013 before non-recurring items).

A Zero-Debt Company, a Very Strong Balance Sheet

At September 30, 2014, consolidated shareholders' equity reached €89 million, and cash and cash equivalents €32.5 million. Financial borrowings have been reduced to €0.4 million.

2014 Outlook

The company entered 2014 with even more solid operating fundamentals than in 2013 and an even stronger balance sheet. In its February 11, 2014 report and its 2013 annual report, to which readers are invited to refer, the company discussed business trends and the outlook for the company at length.

It indicated that the company's minimum objective for fiscal 2014 is to achieve total revenues of approximately €214 million (+7% relative to 2013), income from operations before non-recurring items of around €18 million (+10%), an operating margin before non-recurring items of 8.3% (a slight increase), and net income of around €12.5 million (stable at actual exchange rates, excluding 2013 non-recurring items). These figures were based on exchange rates at February 1, 2014, in particular $1.35/€1.

In light of the company's financial results at September 30, full-year revenues should be slightly short of the above figure, while income from operations and net income should be slightly above these figures.

Bolstered by the strength of its business model and the relevance of its strategic roadmap, the company is confident in its medium-term growth prospects.

The company will present its outlook for 2015 and a second progress report of its roadmap on February 11, 2015.

Q4 and FY 2014 earnings will be published on February 11, 2015.

The Management Discussion and Analysis of Financial Condition and Results of Operations and the financial statements for the third quarter and the first nine months of 2014 are available on lectra.com.

With nearly 1,500 employees worldwide, Lectra is the world leader in software, CAD/CAM equipment and associated services specifically designed for industries using fabrics, leather, technical textiles and composite materials to manufacture their products. Lectra serves major world markets: fashion and apparel, automotive (car seats and interiors, airbags), and furniture, as well as a broad array of other industries (aeronautics, marine, wind power, etc.).

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

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