Lectra

Press Release

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First-Half 2011: Sharp Increase in Orders and Earnings

- Orders: €43.1 million (+24%)(*)(**)
- Revenues: €102.1 million (+13%)(*)
- Income from operations: €12.9 million (+71%)(*)
- Net income: €8.8 million (+102%)
- Free cash flow: €8.4 million
- Net cash positive again: €2.8 million

(*) like-for-like
(*) new software licenses and CAD/CAM equipment

In millions of euros	April 1 - June 30 [3]		January 1 - June 30	
	2011	2010	2011	2010
Revenues	52.4	48.9	102.1	91.8
Change like-for-like (%) [1]	*+12%*		*+13%*	
Income from operations	7.4	5.4	12.9	8.3
Change like-for-like (%) [1]	*+68%*		*+71%*	
Operating margin (in % of revenues)	14.2%	11.0%	12.6%	9.1%
Net income	5.1	2.7	8.8	4.4
Free cash flow	5.2	13.8	8.4	18.8
Shareholders' equity[2]			47.9	42.0
Net cash[2]			2.8	(2.4)

[1] Like-for-like: 2011 figures restated at 2010 exchange rates
[2] At June 30, 2011 and December 31, 2010
[3] Isolated data for Q2 2011 and Q2 2010 have not been reviewed by the Statutory Auditors

Paris, July 28, 2011. Today, Lectra's Board of Directors, chaired by André Harari, reviewed the consolidated financial statements for the first half of 2011, after a limited review by the Statutory Auditors.

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

Q2 2011:

Continuation of the Strong Sales Dynamics

At a total of €21.2 million, orders for new software licenses and CAD/CAM equipment were up 24% compared to Q2 2010.

Sales of spare parts and consumables, up 13% at €11 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.

Further Increase in Operating Margin

Revenues totaled €52.4 million, up 12% relative to Q2 2010—up 7% at actual exchange rates. Revenues from new systems sales (€25.5 million) were up 23%. Recurring revenues (€26.8 million) rose by 3%.

Income from operations amounted to €7.4 million, up €3.6 million (+68%) and the operating margin (14.2%) increased by 5.4 percentage points. At actual exchange rates, income from operations increased by €2.1 million (+39%), and the operating margin by 3.2 percentage points.

Net income was €5.1 million, an increase of €2.4 million (+88%), at actual exchange rates, compared to Q2 2010.

Free cash flow before non-recurring items was €5.2 million.

Lectra Obtains the Recognition in Spain of the October 2009 Award Rendered by the International Arbitral Tribunal Against Induyco

In a decision of exequatur issued on June 27, 2011, the Madrid Court of First Instance recognized the arbitral award rendered against Induyco in October 2009 by an International Arbitral Tribunal seated in London, which had awarded Lectra €25.9 million *(see June 30, 2011 press release)*.

Confirming the validity and enforceability of the award, the decision that the Madrid Court of First Instance has just rendered represents a major milestone in the settlement of this dispute. Induyco having appealed this judgment, this decision does not modify the recognition of the award in the company's financial statements: the company has only recorded the €15.1 million received in 2010. The balance (€10.8 million) still due by Induyco will only be recorded upon its receipt.

First-Half 2011

Strong Growth in Orders

First-half 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.

Orders for new software licenses and CAD/CAM equipment (€43.1 million) are up 24% relative to first-half 2010.

The growth in automotive sector orders was 85% and 10% in the fashion sector. These two markets respectively represented 36% and 50% of total orders. Furniture sector orders were down 7%, and the other industries 16%.

Orders booked in the Americas jumped 28%, in the Asia-Pacific region and Europe they rose 27%; they dropped 12% overall in the rest of the world (Northern Africa, South Africa, Turkey, the Middle East, etc.). Orders in emerging countries (51% of total orders) advanced 38%, while they were up 12% in the developed countries (49% of total orders).

These variations cannot, of course, allow for an extrapolation of trends for the coming quarters.

First-half 2011 revenues totaled €102.1million, up 13% relative to Q1 2010, like-for-like (up 11% at actual exchange rates). Revenues from new systems sales (€49 million) increased 26% and represented 48% of total revenues (compared to 44% in first-half 2010). This 4-percentage point increase in their relative share of total revenues reflects the continuing return to dynamic sales activity, begun in 2010. Recurring revenues (€53.1 million) increased €1.7 million (+3%).

Given that orders for new software licenses and CAD/CAM equipment for first-half 2011 are equivalent to revenues, the order backlog (€17.6 million) is therefore unchanged, like-for-like. However, it was down by €0.9 million at actual exchange rates. It comprised €16.2 million for shipment in the second half of 2011, and €1.4 million in 2012.

Further Strengthening of Operating Ratios and Balance Sheet—Net Income Doubles

Like-for-like, gross profit margins for each product line have increased, again demonstrating their strength in the face of heavy pressure from competitors, which has been exacerbated by the crisis.

The overall gross profit margin worked out to 70.4%. Like-for-like, it came to 70.8%, down 1.2 percentage point relative to the first-half 2010 figure. This variation stems from changes in the product mix, with a rise in the share of revenues from CAD/CAM equipment and spare parts and consumables in total revenues, where margins are lower than for the other revenue components.

Income from operations was €12.9 million and the operating margin was 12.6%, an increase of €6 million (+71%) and 4.6 percentage points respectively. At actual exchange rates, the increase was €4.5 million (+54%) and 3.5 percentage points.

Net income was €8.8 million, the double of first-half 2010 figure at actual exchange rates.

Net earnings per share on basic capital (€0.31) increased by 94% and diluted capital (€0.30) by 88% at actual exchange rates.

Net Cash Positive Again

Free cash flow amounted to €9.3 million before non-recurring items. Assuming that the (French) research tax credit (€2.7 million) was received, free cash flow would amount to €12 million, exceeding net income by €3.2 million. First-half 2010 free cash flow (€19.3 million) included €6.2 million arising from early repayment of the 2009 research tax credit, this measure having been rescinded with effect from 2011.

At June 30, 2011, the net cash position is positive at €2.8 million, after payment of €5.2 million dividend paid in respect of fiscal 2010, versus net financial debt of €2.4 million at December 31, 2010, and €29.4 million at June 30, 2010. The improvement therefore represents €5.2 million for the first-half and €32.2 million for the last twelve-month period.

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 confirmed its progressive improvement since the start of 2011, it has still not reverted to pre-crisis levels yet. Global economic conditions were marked by the consequences of the tragic disasters in Japan and the geopolitical crises in certain North African and Middle Eastern countries on the one hand, and by the rising concern over sovereign debt in the United States and certain European countries.

The recovery remains fragile, therefore, risks and uncertainties have increased, and a further deterioration in the economic and monetary situation remains possible, demanding continuing caution and vigilance.

Sales activity and earnings for first-half 2011 are generally in line with company expectations, confirming the strengthening of its operating ratios and its balance sheet. The order backlog is still strong. 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.

On February 10, 2011, the company adopted as its central scenario for 2011, assuming that the economic recovery continued at its pace of the preceding months, revenues of around €207 million, and income from operations before non-recurring items of approximately €28.5 million, thus generating an operating margin before non-recurring items of close to 14% and a net income of close to €18 million.

These figures were based on an average parity of $1.35/€1.

Assuming that the average parity for second-half 2011 is $1.45 / €1, the currency effect alone would, for the full fiscal year, mechanically reduce revenues by € 4 million, income from operations by €2.3 million, and the operating margin by 1 percentage point, bringing these respectively to around €203 million, €26 million, and 13%. Like-for-like increases relative to 2010, of 10%, 30% and 2 percentage points, respectively, would remain unchanged. Net income would be reduced by €1.5 million and close to €16.5 million (+ 16% at actual exchange rates relative to the 2010 figure restated for non-recurring items). Finally, free cash flow would work out to around €14 million.

As of the date of publication, the February 10 central scenario, as updated by the sole impact of exchange rates fluctuations, remains the most likely.

Under this updated hypothesis, therefore, revenues would still lag behind the 2007 figure by €14 million (–6%), but income from operations, on the other hand, would be multiplied by 2.3, testifying to the improvement in the company's key operating ratios in the midst of the crisis.

Bolstered by its results, the company is confident in the strength of its business model and its growth prospects for the medium term.

Q3 2011 earnings will be published on October 27, 2011.

The Management Discussion and Analysis of Financial Condition and Results of Operations and the financial statements for the first-half 2011 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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