Press Release

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2012: Financial Results Beat Company Expectations

- Revenues: €198.4 million (-7%)(*)
- Income from operations: €19.8 million (-43%)(*)
- Net income: €13.6 million
- Free cash flow: €11.5 million
- Net cash: €14.2 million
- Dividend(**): €0.22 per share

(*) *like-for-like*
(**) *proposed to the Annual Shareholders Meeting on April 30, 2013*

In millions of euros	October 1 - December 31		January 1 - December 31	
	2012	2011	2012	2011
Revenues	51.1	52.6	198.4	205.9
Change like-for-like (%) (1)	*-4%*		*-7%*	
Income from operations	5.1	7.6	19.8	29.3
Change like-for-like (%) (1)	*-39%*		*-43%*	
Operating margin (in % of revenues)	10.0%	14.5%	10.0%	14.2%
Net income	3.6	4.8	13.6	19.5
Free cash flow	5.8	1.4	11.5	14.2
Shareholders' equity(2)			65.3	58.7
Net cash(2)			14.2	8.6

(1) *Like-for-like: 2012 figures restated at 2011 exchange rates*
(2) *At December 31*

Paris, February 12, 2013. Today, Lectra's Board of Directors, chaired by André Harari, reviewed the consolidated financial statements for the fiscal year 2012.

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

Q4 2012

Growth in Orders for New Software Licenses and CAD/CAM Equipment

There was no pick-up in the economy in Q4, uncertainties actually increased. Against this difficult background, sales activity finished the year dynamically.

Orders for new software licenses and CAD/CAM equipment (€20 million, surpassing the level for the first three quarters) increased by 34% compared with Q4 2011 (when orders were affected by the accelerated deterioration of the economic environment, falling 34% compared with Q4 2010).

Results Hold up Well

Revenues (€51.1 million) are down 4% (–3% at actual exchange rates).

This decline stems from a 14% fall in revenues from new systems sales to €21.2 million. This was partly offset by the confirmation of faster growth in recurring revenues (€29.9 million), rising from 2% in the first half of the year to 4% in Q3 and in Q4. Revenues from recurring contracts (€17.3 million) rose by 7% and those from spare parts and consumables (€12.1 million) by 2%.

Income from operations amounted to €5.1 million, down €3.0 million, while the operating margin decreased by 5.3 percentage points to 10%. At actual exchange rates, income from operations was down €2.5 million and the operating margin decreased by 4.5 percentage points.

Net income (€3.6 million) decreased by €1.2 million at actual exchange rates, compared with Q4 2011.

Free cash flow was positive at €5.8 million (€1.4 million in Q4 2011).

2012: An Operating Margin of 10%, Despite Reduced Activity and the Cost of Investments for the Future

Macroeconomic conditions remained persistently weak year-long. Based on this assumption, the company considered in its February 9, 2012 financial report that revenues from new systems sales could fall by around 24%. This would result in total revenues of approximately €190 million for the fiscal year. Income from operations would come to around €15 million, generating an operating margin of approximately 8%, and net income of approximately €10 million. These figures were based on an average exchange rate of $1.30/€1, very close to that for the year ($1.29/€1).

Revenues were ahead of company expectations by €8.4 million, income from operations by €4.8 million and net income by €3.6 million. The operating margin was higher by 2 percentage points.

Orders from New Software Licenses and CAD/CAM Equipment Fall by Less than Expected

Purchasing decisions remained on hold throughout the year. Orders for new software licenses and CAD/CAM equipment (€76.2 million) were down 6% relative to 2011. This decline was smaller than the 17% expected by the company, due to the fact that some firms have apparently adapted more rapidly to persistently weaker conditions, to the success of new versions of Lectra’s flagship software and new generations of equipment, and to the company’s sales policy aimed at major customers.

The decline in orders stemmed primarily from the automotive market (–18%). In fashion and furniture, orders were up 3% and 11% respectively. These markets accounted for 37%, 48%, and 8% respectively of the total amount of orders. Orders in the other industries, which contribute 7% of the total, were down 16%.

Strong Growth in North America – Emerging Countries Remain Predominant

The situation remains uneven in geographic terms. Orders booked in North America increased by 25%—a remarkable performance. Orders fell by 2% in Europe, 8% in South America and 29% in the Asia-Pacific region.

Emerging countries, with orders down by 5%, remained predominant with 54% of total orders, whereas in developed countries orders fell by 8%.

Fall in Revenues from New Systems Sales Was Partly Offset by Growth in Recurring Revenues, Illustrating the Strength of the Company’s Business Model

Revenues for 2012 (€198.4 million) were down 7% (4% at actual exchange rates) compared with 2011. They grew by 20% in 2010 then by 10% in 2011, following sharp falls in 2008 and 2009.

Revenues increased by 16% in North America, but fell 5% in Europe, 17% in South America and 26% in the Asia-Pacific region. These four regions accounted for 21%, 47% (including 10% for France), 5% and 21% respectively of total revenues. Revenues from the rest of the world (6% of total Group revenues) increased by 18%.

Revenues from new systems sales (€83.7 million) decreased by 17%, while recurring revenues (€114.7 million) increased by €3.4 million (+3%).

The order backlog at December 31, 2012 increased by €1.6 million relative to January 1, to €12.1 million.

Income from operations (€19.8 million) decreased by €12.5 million (–43%). At actual exchange rates, it decreased by €9.5 million (–32%).

The operating margin was 10%, down 5.5 percentage points like-for-like compared with 2011 (4.2 percentage points at actual exchange rates). Investments for the future linked to the transformation plan (€6.6 million, fully expensed) have accounted for 3.3 percentage points in the reduction of the operating margin. The operating margin is almost double its pre-crisis level (5.2% in 2007), despite a significant fall in revenues.

Net income was €13.6 million (a net margin of 6.9%), representing a fall of 30% at actual exchange rates.

A Very Strong Balance Sheet

Whereas the company's net financial debt was €47.8 million at December 31, 2009, the net cash position was positive at €14.2 million at December 31, 2012, thanks to free cash flow accumulated over the period. The improvement in the net cash position reached €62 million in three years, after payment of dividends of €5.2 million in 2011 and of €6.3 million in 2012.

At the same time, shareholders' equity has more than doubled over the period, to €65.3 million.

Restated for the (French) research tax credit not received and not offset against a tax charge, the working capital requirement was negative at €13.4 million—a key feature of the company's business model.

Dividend Maintained at €0.22 per share

The Board of Directors will propose to declare a dividend of €0.22 per share, in respect of fiscal 2012, at the Shareholders' Meeting of April 30, 2013. The total dividend represents a payout ratio of 47% and a yield of 4.65% based on the December 31, 2012 closing share price. Subject to approval by the shareholders, the dividend will be made payable on May 10, 2013.

The Madrid Court of Appeal Upholds the Enforcement in Spain of the October 2009 Award Rendered in London Against Induyco by the International Arbitral Tribunal

In a decision issued on January 28, 2013, the Madrid Court of Appeal upheld the judgment of the Madrid Court of First Instance of June 27, 2011, recognizing the validity and enforceability in Spain of the arbitral award.

This decision does not modify the accounting of the award in the company's financial statements. The company has only recorded the €15.1 million received in 2010 and conclusively non-refundable. As Induyco was merged into El Corte Inglés on December 18, 2012 and immediately dissolved, El Corte Ingles has now become Lectra's current debtor for the balance (€11.1 million) still due which will only be recorded in the accounts upon its receipt. As all of the costs incurred by Lectra have already been paid, the execution of the *exequatur* decision will result in a cash inflow equal to the balance of the award still owed (see press release of February 1st 2013).

A New Strategic Roadmap for 2013-2015

Economic conditions are likely to remain weak in 2013—which also looks both difficult and unpredictable—and perhaps even beyond, given the downward revisions of growth forecasts for 2013 and 2014 for most developed and emerging countries.

Faced with slower growth, most major countries—particularly the United States, China, and Japan—have already eased or could ease their monetary policy. Besides the risk to the global economy that may result, such policies could result in a lasting rise in the euro.

Formulated at the end of 2009 with a view to emerging strengthened from the crisis, to prepare for the new post-crisis challenges, the 2010-2012 strategic roadmap has fully demonstrated its efficacy, the strength of Lectra's business model, and once again demonstrated the company's resilience. On the strength of its success, at the end of 2012 the company framed a new roadmap for 2013-2015 to enable it to fully realize its growth potential. This roadmap is based on deliberately cautious macroeconomic assumptions.

Continuing to focus on long-term strategy, its overriding objectives remain unchanged. Five accelerators will drive Lectra's growth: emerging countries, together with the industrial revival in the United States and other developed countries; the automotive market—an industry currently experiencing far-reaching technological and geographical change; the leather industry, thanks to the revolutionary new range of *Versalis* automated cutters; PLM for fashion, collaborative solutions facilitating collection management; and, finally, 3D technology for fashion, a new universal product development solution.

Clear and ambitious financial goals

The main goals contained in the 2013-2015 strategic roadmap are (like-for-like variations):

- a compound annual revenue growth rate equal to or greater than 10%;
- a 15% operating margin (excluding non-recurring items) in 2015;
- to more than double income from operations (excluding non-recurring items) and net income in three years.

These goals are founded on organic growth and are based on the exchange rate of February 1, 2013, also retained for the 2013 scenarios, notably $1.35/€1.

Far-reaching company transformation plan and investments for the future

Faced with the scale of the economic crisis in 2008-2009, the company reduced its fixed overheads by 20%, bringing them down from €124 million in 2007 to €100 million in 2010. Its roadmap called for a second transformation phase in order to build its new post-crisis structure.

This three-point plan will cover the period to 2015, comprising:

- a major recruitment plan devoted to strengthening sales and marketing teams, which will grow from 220 people at the end of 2011 to 330;
- the addition of 40 engineers to the R&D teams bringing the total number to 260;
- accelerated investment in marketing.

These investments for the future will represent a cumulative €50 million over the period 2012-2015, fully expensed, while their benefits will only be felt progressively.

Fixed overhead costs will continue to be limited to around €130 million in 2015, versus €102 million in 2011, before the launch of the transformation plan. Adjusting for inflation, the level of fixed overhead costs in 2015 will be below that of 2007.

Fully internally funded development

The company's annual free cash flow will continue to exceed net income (assuming utilization or receipt of the research tax credit and the tax credit for encouraging competitiveness and jobs applicable in France), enabling it to pursue its policy of paying dividends to shareholders while financing its future development. Its goal is to be free of all financial debt once the 2007 medium-term loan has been repaid out of free cash flow, at the end of 2013.

It will preserve its cash in order to finance future targeted acquisitions in the coming years, should the right opportunities arise on favorable terms, while its organic growth continues to be financed internally thanks to its business model.

2013 Outlook

The appreciation of the euro since the beginning of 2013 against the dollar and several other currencies has led the company to base its 2013 scenarios on the exchange rates of February 1, 2013, notably $1.35/€1. Exchange rate changes from the 2012 averages have the effect of reducing 2012 revenues and income from operations, converted to 2013 retained exchange rates, by €6.2 million and €3.1 million respectively, to €192.2 million and €16.7 million; the operating margin falls 1.3 percentage point to 8.7%.

As in previous years, the main uncertainty concerns the level of revenues from new systems sales. Consequently, visibility remains limited, calling for continuing caution.

In the most cautious scenario, with customer purchasing decisions remaining on hold and the transformation plan producing only part of the expected gains, the company expects total revenues of approximately €203 million (+6% vs. 2012) for the fiscal year, income from operations before non-recurring items of around €15 million (–10%), reducing the operating margin before non-recurring items to approximately 7.5%, and net income of around €10 million (–25% at actual exchange rates).

The company's goal is to exceed these figures. For every extra €1 million in revenues from new systems sales, the resulting income from operations would increase by approximately €0.45 million.

Free cash flow should exceed net income less the (French) research tax credit and the new (French) tax credit for encouraging competitiveness and jobs accounted for in 2013 (around €6.8 million), capital expenditures (besides future capital expenditures and R&D expenditures being expensed in full) being limited to around €5–€7 million.

The company entered 2013 with a very strong balance sheet and operating fundamentals. Bolstered by its performance since 2010, the strength of its business model and the relevance of its new strategic roadmap, the company is confident in its growth prospects for the medium term.

First quarter earnings for 2013 will be published on April 29. The Annual Shareholders' Meeting will take place on April 30, 2013.

Management Discussion and Analysis of Financial Conditions and Results of Operations for Q4 and the fiscal year 2012 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 March 5, 2013.

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), 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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