



# For Immediate Release

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## Second Quarter 2005:

- **Business activity shows a slight improvement over the trend observed at the start of the year**
- **Income from operations: €1.9 million**

(in millions of euros)	April 1 - June 30		January 1 - June 30	
	2005	2004 pro forma <sup>(1)</sup>	2005	2004 pro forma <sup>(1)</sup>
Revenues	54.8	59.2	101.9	113.7
<i>Change (like-for-like)<sup>(2)</sup></i>	-6%		-9%	
Income from operations	1.9	4.0	1.0	3.5
<i>Change (like-for-like)<sup>(2)</sup></i>	-45%		-52%	
Net income	1.3	3.1	0.8	2.4
Free cash flow	0.7	n/a	1.5	12.1
Stockholders' equity at June 30, 2005 and December 31, 2004			81.3	88.4
Net cash at June 30, 2005 and December 31, 2004			6.0	17.5

<sup>(1)</sup> pro forma 2004 figures correspond to 2004 figures restated on the basis of the 2005 scope of consolidation and of the impact of the new IFRS 2 (stock options) and IFRS 3 (goodwill) reporting standards

<sup>(2)</sup> "like-for-like" refers to 2005 figures restated at 2004 exchange rates (which are not reported in this condensed table) and pro forma 2004 figures

**Paris, July 28, 2005.** The Board of Directors of Lectra, chaired by André Harari, today reviewed the consolidated financial statements for the first-half of 2005, after a limited review by the Statutory Auditors.

Business activity was again seriously affected by the impact of the abolition of textile quotas by the WTO as of January 1, 2005, and related uncertainties. While the protective measures initiated by the United States and the European Union have gone some way toward assuaging the concerns of American and European manufacturers, they have prompted a wave of apprehension in China and led to a freeze on investment decisions, as companies there fear temporary overcapacity.

Against this background, orders for new systems fell 8% (–€3.2 million) compared to Q2 2004. Business activity in May and June slightly outpaced the trend registered over the first four months of 2005, when orders were down by approximately 30% compared to the same period in 2004 (see Lectra's April 28, 2005 press release). Business activity was chiefly supported by significant orders booked with certain major companies in the automotive sector.

The decline in revenues was again due to weak revenues from new systems, which fell by 16% compared to Q2 2004. However, the decline in revenues from new systems was less than that of Q1 2005 (–26% compared to Q1 2004).

Despite these conditions, income from operations was €1.9 million and net income, €1.3 million. In Q1 2005, the company had registered a loss of €0.9 million from operations and a net loss of €0.5 million.

### **First-Half of 2005: Revenues and Earnings Hard-Hit by the Abolition of Textile Quotas**

Revenues from new systems (€52.9 million) decreased by 21% relative to the first-half of 2004.

At the same time, revenues from recurring contracts grew by a robust 11% (+€2.9 million) reflecting both the results of proactive measures taken in prior years and the ramp-up of sales of service contracts to former Investronica customers. Total recurring revenues (€49 million), which also include spare-parts and consumables, grew by 8%.

### **Key Operating Ratios Improved Overall**

In addition to its negative mechanical impact on the company's accounts, the U.S. dollar's decline of almost 5% relative to the first-half of 2004 further sharpened competitive pressures. The company nevertheless improved its gross margin by 3.1 percentage points.

Confirming the company's firm control over its key operating ratios, income from operations was €1 million, despite weak revenues from new systems.

The company generated €1.5 million in free cash flow, which exceeds net income by €0.7 million.

### **Optimization of the Company's Balance Sheet: Reduction of Capital through Retirement of Shares**

The company took advantage of the fall in its stock price to repurchase approximately 1.5 million of its own shares for a total of €5.6 million. Subsequently, at its meeting on July 28, 2005, the Board of Directors decided to retire 2.2 million treasury shares, a reduction of 5.7% of the total capital, with a view to optimizing the company's balance sheet and boosting shareholder value without detriment to its policy of stepping up its organic growth and pursuing targeted acquisitions.

The company's balance sheet remains particularly solid. Net cash totalled €6 million, after payment of the dividend declared in respect of FY 2004, and after taking into account total payment for the three acquisitions of 2004.

### **Short Term Visibility Remains Poor**

The market turmoil following the abolition of textile quotas could prove longer-lasting and have a more pronounced impact than the experts anticipated. Short term visibility regarding future activity therefore remains very poor.

The main uncertainty for the company remains the timing and scale of the resumption of technology spending by its customers, their investment decisions being on hold for the time being across the world, China included, in recent months. These investments are nonetheless indispensable to succeed in today's fundamentally altered conditions.

There have been no positive developments in business conditions since publication of Lectra's last press release. Despite the slight upturn in business activity in Q2, the period is too short a time frame from which to conduct valid analyses or to extrapolate geographic or market sector trends. Therefore, utmost caution is still called for.

In these particular circumstances, the company considers that it has insufficient objective information, at this juncture, upon which to communicate revenue and earnings range estimates for the full-year 2005.

The Management Discussion and Analysis of Financial Condition and Results of Operations for the Second Quarter and First-Half of 2005, and financial statements are available at [www.lectra.com](http://www.lectra.com).

Q3 2005 results will be published on October 28, after the close of Euronext Paris.

Lectra is number one worldwide in software and hardware dedicated to industrial users of textiles, leather, and other soft materials. Lectra is present across a broad array of major markets, including fashion and apparel; luggage & leather goods; footwear; furniture & furnishings; and the automotive, aerospace, and marine industries. Through its unique international network, with a staff of 1,600 worldwide, Lectra serves more than 17,000 customers in over 100 countries.

Lectra (code ISIN FR0000065484) is listed on the Paris Euronext Second Marché

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