



## For Immediate Release

Contact: Angélique Cuihé  
 e-mail: a.cuilhe@lectra.com  
 Phone : +33 (0)1 53 64 42 95 - Fax : +33 (0)1 53 64 43 40

### **Q4 2005: Income from Operations before Non-Recurring Items was Satisfactory Overall, Given the Adverse Context**

### **2005: Net Loss of €12.3 Million After Consideration of €19.2 Million in Non-Recurring Items**

### **2006 Outlook: Sales of New Systems are Expected to Rebound**

(in millions of euros)	October 1 - December 31		January 1 - December 31	
	2005	2004 pro forma <sup>(1)</sup>	2005	2004 pro forma <sup>(1)</sup>
Revenues	57.3	62.0	211.2	228.9
Change (like-for-like) <sup>(2)</sup>	-10%		-8%	
Income from operations before non-recurring operations <sup>(3)</sup>	4.3	3.7	8.1	9.6
Change (like-for-like) <sup>(2)</sup>	-4%		-17%	
Income from operations	(15.0)	3.7	(11.1)	9.6
Net income	(15.1)	3.6	(12.3)	7.8
Free cash flow	5.6	n/a	7.6	
Stockholders' equity at December 31			67.0	88.4
Net cash at December 31			10.2	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

<sup>(3)</sup> "non-recurring items" include charges of €9.1 million, a €1.8 million gain and a write-down of €11.9 million of Investronica's goodwill

**Paris, February 9, 2006.** The Board of Directors of Lectra, chaired by André Harari, today reviewed the audited consolidated financial statements for 2005.

#### **Q4 2005**

Business activity in the fourth quarter continued to be affected by a difficult economic climate. Orders for new systems fell by approximately 12% relative to Q4 2004.

Lectra closed two major deals in the quarter: the first was with Mango, for 800 licenses of Lectra's new Product Lifecycle Management (PLM) solution; the second was a €5 million contract with Johnson Controls Inc., for Lectra's VectorAuto MP9 automated cutting systems (see January 3 and February 9, 2006 press releases).

Revenues were again squeezed by weak new systems sales, which fell by €7.9 million (-21%). The amount of orders for new systems being greater than revenues invoiced, the backlog of orders for new systems totalled €15.6 million at December 31, 2005, up €3.8 million, like-for-like, compared to the backlog at December 31, 2004.

Recurring revenues increased by €1.5 million (+6%) and the company continued to improve its margins and

also to keep overhead costs under control. In these conditions, income from operations before non-recurring items registered a modest decline of €0.1 million (-4%) compared to the Q4 2004 figure. The corresponding operating margin is 7.5%, slightly better than in 2004.

### *Non-Recurring Items*

The company booked non-recurring charges and a non-recurring gain in the fourth quarter, resulting in a net negative impact of €7.3 million.

Following detailed impairment testing based on parameters revised at the end of the year, Investronica's goodwill has been reduced by €11.9 million in the balance sheet at December 31, 2005, from €31.4 million to €19.5 million.

### *Lectra Has Taken Steps to Tackle its New Challenges Successfully*

Lectra has embarked on a vigorous program to speed the company's transformation in order to adjust to the changes sweeping through its markets, boost its competitiveness and allocate its resources more efficiently in response to its new challenges and growth potential.

### *Reorganization Measures*

Two years after the acquisition of Investronica, a restructuring plan, which will lead, in particular, to the termination of its hardware R&D, production and logistics teams, was launched on December 2, 2005 and approved by the Spanish labor administration on January 31, 2006. Reorganization measures have been implemented in Canada (with the closing of the Edmonton site where Lacent was based), and in the United States (with the closing of the Grand Rapids, Michigan offices, dating back to the acquisition of Computer Design, Inc. by Lectra in 1998). The activities concerned have been integrated with those at Bordeaux-Cestas.

These measures, which led to the termination of 150 people, represented a total non-recurring charge of €9.1 million, fully expensed in Q4 2005. In a full year, they will represent an annual reduction in costs of €5.9 million.

These savings will allow Lectra to recruit approximately 100 people worldwide to reinforce software R&D, marketing and sales teams and to develop PLM activities, without increasing overhead costs.

### *Lectra Maintains its Intensive Research & Development Effort*

R&D spending (€18.5 million), fully expensed in the year, represented 8.8% of total revenues. With more than 200 engineers and technicians, Lectra confirms its priority focus on innovation in consolidating the company's technological leadership. The R&D plan encompasses future versions of the company's product offering.

The plan also embraces development of Lectra's new PLM offering for the fashion and apparel industry—a strategic challenge for the company, currently engaging nearly 100 employees. The emerging global market for PLM solutions for apparel and specialist retailing is forecasted to gather momentum and grow strongly in the medium term.

### *FY 2005*

The year's performance was strongly impacted by the abolition of textile quotas and contrasting conditions in the automotive industry.

Revenues in the company's three principal regions declined: European revenues (56% of total revenues) were down 11%, North American revenues (18% of total revenues) were down 8%, and Asia-Pacific revenues (18% of total revenues) were down 5%. Revenues for the rest of the world (8% of total revenues) increased by 6%.

### *Revenues from New Systems Sales Decline Sharply - Robust Growth in Recurring Contracts*

Revenues from new systems sales (€110.5 million) decreased by 19%. This decline was felt strongly in all three of the company's main markets. Apparel revenues were down 19%, while automotive, aerospace and marine market revenues were down 12%, and furniture & furnishings, 34%.

Revenues from recurring contracts grew by a robust 10% (+€5.5 million); overall, recurring revenues (including spare parts and consumables) surpassed the €100 million threshold for the first time (€100.7 million), increasing by 7% and accounting for 48% of total revenues.

### *Improvement in Key Operating Ratios*

The average euro/dollar parity over the year was almost identical to the 2004 parity; consequently, the mechanical impact on the company's accounts was immaterial. The main effect of the dollar's weakness was to maintain competitive pressures.

Gross margin thus worked out to 66.9%, a rise of 3.3 percentage points relative to FY 2004.

Income from operations before non-recurring items was €8.1 million, down only €1.6 million relative to FY 2004 although revenues declined by €18.2 million. The corresponding operating margin (3.8%) decreased by 0.4 percentage point.

The company generated €7.6 million in free cash flow.

### *Dividend Maintained*

Confirming its confidence in the future, the Board of Directors has decided to propose the distribution of a dividend of €0.13 per share in respect of 2005, unchanged from the previous year, at the forthcoming Shareholders' Meeting on April 28, 2006. Subject to Shareholders' approval, the dividend will be made payable on May 10, 2006.

### *Business Trends and Outlook*

Concerning the medium term, the company's view remains unchanged. All of the companies in the different sectors of activity it serves can be expected to seek to adjust to the new economic conditions by acquiring the indispensable technologies.

The signature in November 2005 of the Sino-American agreement, coming after the Sino-European agreement in June, along with application of the safeguard clause invoked by Turkey and other countries, have to a large extent dispelled uncertainty over the impact of the abolition of textile quotas until 2007-2008.

Meanwhile, the major American and European automobile manufacturers and equipment makers will need to improve their offerings through increased creativity, and to speed up the modernization of their production through increased flexibility. Their Japanese counterparts will be seeking to widen their lead.

These prospects should enable Lectra to achieve the financial goals initially set for 2007—increasing its revenues to €300 million, with an operating margin of 15%, and continuing to generate substantial free cash flow—by 2008, or by 2009 at the latest. These assumptions are based on an average dollar/euro parity of \$1.25/€1.

### *2006 Outlook*

After the setbacks of 2005, sales of new systems are expected to rebound in 2006.

The timing and scale of this rebound remain uncertain, as companies may continue to hesitate for several months to come.

Given the improvement in the company's key operating ratios, if revenues from new systems were to remain unchanged from 2005, the company's revenues would total approximately €216 million (up 2% from

2005), and income from operations, approximately €10 million (up 23% relative to 2005, excluding non-recurring items).

If the rebound proves strong enough to push new systems sales back to their 2004 level, the company's revenues would total approximately €241 million (up 14% relative to 2005), and income from operations, approximately €20 million (up 150% relative to 2005, excluding non-recurring items).

The Management Discussion and Analysis of Financial Condition and Results of Operations for the fourth quarter and full-year 2005 are available at [www.lectra.com](http://www.lectra.com). Q1 2006 results will be published on April 27, 2006, after the close of Euronext Paris.

With a staff of 1,500, Lectra is number one worldwide in software and CAD/CAM equipment dedicated to industrial markets, including fashion and apparel; luggage & leather goods; footwear; furniture & furnishings; and the automotive, aerospace, and marine industries.

Lectra (code ISIN FR0000065484) is listed on the Eurolist (compartment B) of Euronext Paris.

[www.lectra.com](http://www.lectra.com)