

First Half 2015: Sharp Rise in Revenues, Income from Operations and Net Income

- Revenues: €116.4 million (+16%)*
- Income from operations: €13.2 million (x2.2)*
- Net income: €9 million (x2)*
- Free cash flow: €4 million
- Net cash: €41.5 million

*at actual exchange rates

In millions of euros	April 1 – June 30		January 1 – June 30	
	2015	2014	2015	2014
Revenues	60.3	52.5	116.4	100.2
Change at actual exchange rates (%)	+15%		+16%	
Change like-for-like (%) ⁽¹⁾	+5%		+7%	
Income from operations	7.6	3.9	13.2	5.9
Change at actual exchange rates (%)	+92%		+125%	
Change like-for-like (%) ⁽¹⁾	+20%		+35%	
Operating margin (in % of revenues)	12.5%	7.5%	11.3%	5.9%
Net income	5.3	2.9	9.0	4.4
Change at actual exchange rates (%)	+85%		+103%	
Free cash flow	5.2	3.8	4.0	6.6
Shareholders' equity ⁽²⁾			98.0	94.3
Net cash ⁽²⁾			41.5	43.1

(1) Like-for-like: 2015 figures restated at 2014 exchange rates

(2) At June 30, 2015 and December 31, 2014

Paris, July 30, 2015. Today, Lectra's Board of Directors, chaired by André Harari, reviewed the consolidated financial statements for the first half of 2015, after a limited review by the Statutory Auditors.

Q2 2015: Revenues and Income from Operations Up Sharply

Orders for new systems (€26.2 million) were up 5% at actual exchange rates, but down 3% like-for-like compared with Q2 2014. They exceeded first-quarter orders (€21.3 million).

Revenues (€60.3 million) were up 15% at actual exchange rates. Like-for-like, revenues increased by 5%: +4% for new systems sales, +6% for recurring revenues.

Income from operations (€7.6 million) increased by €3.6 million (+92%) at actual exchange rates (+20% like-for-like).

The operating margin (12.5%) increased by 5 percentage points at actual exchange rates and 1.1 percentage points like-for-like.

Net income (€5.3 million) was up €2.4 million (+85%) at actual exchange rates.

Free cash flow (€5.2 million) increased by €1.4 million.



First Half 2015: Revenues and Income from Operations Respectively In Line with or Ahead of the Company Roadmap at Actual Exchange Rates, but Both Lagging Behind Like-for-Like

The roadmap corresponding to the company's annual objective communicated on February 11, 2015 anticipated H1 revenues of €116.5 million and income from operations of €11.9 million (based on exchange rates at December 15, 2014, notably \$1.25/€1).

At actual exchange rates, revenues are therefore in line with the roadmap and income from operations ahead by €1.3 million. At the exchange rates used when setting the 2015 objectives, H1 revenues and income from operations respectively lagged €6 million and €1.8 million behind the roadmap.

Positive Impact from Weaker Euro

The sharp fall in the euro since summer 2014, against the dollar and the yuan notably, has been a major event for the company. Lectra has significantly bolstered its competitive position worldwide. At the same time, its customers' competitive situations have altered radically, either improving or deteriorating, depending on the location of their production and sales.

With an average parity of \$1.12/€1 for H1 2015, the US dollar was up 23% compared with H1 2014 (\$1.37/€1). For its part, the yuan appreciated 22%.

Lectra has opted to maintain its R&D and manufacturing in France, investing in innovation to enhance its competitiveness. Most of Lectra's production costs are thus euro-denominated, with practically zero inflation. Conversely, most of its competitors—especially the main one, a US company—manufacture their equipment in China. Consequently their yuan-denominated costs are subject not only to continuously rising wages and social charges, but also to higher inflation.

Moreover, for all players, sale prices in North America and Asia are mainly expressed in US dollars, or in yuan in China. Competitors manufacturing in China have maintained their sale prices for these markets and are starting to raise them in Europe to avoid an excessive decline in margins. The few European vendors specialized in CAM equipment that have maintained their production in Europe, meanwhile, have similarly benefited from the currency movements, and have cut their sale prices in Asia and in North and South America in order to expand their market shares.

Overall, the exchange rate variations have mechanically had a major impact on Lectra, boosting revenues by €9.7 million (+9%) and income from operations by €5.3 million (+67%) at actual exchange rates compared with like-for-like figures.

Orders for New Systems Below Company Expectations

Orders for new systems (€47.4 million) were up 8% at actual exchange rates, and down 2% like-for-like relative to H1 2014. Like-for-like, orders for new software licenses (€11.7 million) were up 2%, as was the case for CAD/CAM equipment (€29 million). Training and consulting (€5.7 million) were down 21%, in the absence of significant new projects signed since the beginning of the year.

Orders remained significantly below company expectations of a rise of 15% like-for-like. Business and currency conditions proved tougher than expected, with global growth forecasts revised downward for 2015 and 2016, still greater geopolitical tensions and sharp currency swings hampering firms. As a result, customers remain hesitant and continue to put their investment decisions on hold.



Sharp Rise in Revenues

Revenues (€116.4 million) were up 16% like-for-like (+7% at actual exchange rates).

Revenues from new systems sales (€48.7 million) increased by 19% at actual exchange rates (+8% like-for-like); recurring revenues (€67.8 million) increased by 14% at actual exchange rates (+5% like-for-like).

Income from Operations and Net Income Doubled

Gross profit amounted to €88.2 million. The €14.9 million increase relative to H1 2014 represents 91% of the growth in revenues.

Income from operations (€13.2 million) increased €7.3 million (+125%) at actual exchange rates and €2 million (+35%) like-for-like.

The operating margin (11.3%) increased by 5.4 percentage points at actual exchange rates and 1.5 percentage points like-for-like.

Net income doubled to €9 million at actual exchange rates.

Free cash flow amounted to €4 million (€6.6 million in H1 2014).

A Zero-Debt Company, a Very Strong Balance Sheet

At June 30, 2015, shareholders' equity amounted to €98 million.

The company was debt free as of March 31, 2015, residual financial borrowings at December 31, 2014 (€0.4 million) having been reimbursed. Cash and cash equivalents as well as net cash position amounted to €41.5 million after payment of the €7.6 million dividend (€0.25 per share) declared in respect of fiscal 2014.

2015 Outlook

The company entered 2015 with even more solid operating fundamentals than in 2014 and an even stronger balance sheet.

In its February 11, 2015 financial report and its 2014 annual report, to which readers are invited to refer, the company has developed its business trends and outlook, underlining that, as for 2014, the year 2015 looked unpredictable, with limited visibility and calling for continuing caution.

The shortfall in orders for new systems compared to expectations in the first half will not enable the company to meet the objectives it had set based on the December 15, 2014 exchange rates used in setting them, notably \$1.25/€1.

It should however achieve the corresponding figures at actual exchange rates, based on the forecast parities used for the second half of the year, notably \$1.10/€1: total revenues of approximately €240 million (+14% at actual exchange rates relative to 2014), with income from operations before non-recurring items of around €29 million (+47%), an operating margin before non-recurring items of 12% (+2.6 percentage points), and net income of around €20 million (+39%).

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



Q3 and first nine months earnings will be published on October 29, 2015.

The Management Discussion and Analysis of Financial Condition and Results of Operations and the financial statements for the first half of 2015 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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