Lectra

Press Release

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Full-Year 2008:

- Revenues: €198.1 million (–6%)[(*)]
- Income from operations: €7 million (–9%)[(*)]
- Net income: €3.2 million (–€2.6 million)

(*) like-for-like

(in millions of euros)	October 1 - December 30		January 1 - December 30	
	2008	2007	2008	2007
Revenues	47.2	60.1	198.1	216.6
Change like-for-like [(1)]	*-23%*		*-6%*	
Income from operations[(2)]	1.9	2.6	7.0	10.2
Income from operations like-for-like [(2)]	1.4	2.6	9.3	10.2
Change like-for-like [(1)]	*-45%*		*-9%*	
Net income	0.4	1.0	3.2	5.8
Free cash flow before non-recurring items[(3)]	2.7	6.0	(3.2)	(1.9)
Equity[(4)]			28.1	26.3
Net financial borrowing[(4)]			56.4	50.8

[(1)] *Like-for-like: 2008 figures restated at 2007 exchange rates*

[(2)] *In 2007, after a non-recurring charge of €1 million in Q4 and in the fiscal year*

[(3)] *Non-recurring components of free cash flow: €0 in Q4 and net disbursement of €1.6 million for the fiscal year 2008 (€1.2 million in Q4 2007 and €6.4 million for the fiscal year 2007)*

[(4)] *At December 31*

Paris, February 12, 2009. The Board of Directors of Lectra, chaired by André Harari, today reviewed the audited consolidated financial statements for the full-year 2008.

(Detailed comparisons between 2008 and 2007 are like-for-like.)

Q4 2008: Orders Decline Significantly – Income From Operations and Free Cash Flow Better than Forecasted

As the financial and economic crisis made its impact felt worldwide, Q4 orders for new software licenses and CAD/CAM equipment were down 48% (–€13.5 million) overall compared to Q4 2007.

Revenues amounted to €47.2 million, down 23% relative to Q4 2007. Revenues from new systems sales (€20.9 million) declined 39%, while recurring revenues (€26.4 million) decreased by 4%.

Despite the steep fall in revenues from new systems sales, income from operations came to €1.9 million, which was better than the company's forecast communicated on October 28 thanks to reinforced cost-cutting measures implemented as of July. As a result, fixed overhead costs and provisions were down €2.3 million or 7% relative to Q4 2007.

Like-for-like, income from operations amounted to €1.4 million, down 45% relative to Q4 2007. Income from operations in Q4 2007 included a non-recurring charge of €1 million.

Net income was €0.4 million, down €0.5 million at actual exchange rates compared to Q4 2007.

Free cash flow was positive at €2.7 million.

2008: A Year Marked by the Impacts of the Global Financial and Economic Crisis

Sharp Fall in Orders

The macroeconomic climate has deteriorated continuously since the beginning of the year, caught up in the spiral of the unprecedented financial and economic crisis. Companies have borne the full brunt of the slowdown in their activity, to an extent rarely seen in decades. Their financial performance has progressively worsened, their prospects have become more clouded, with reduced access to credit, and many are now incapable of financing their investments.

As uncertainty took hold, anxiety and hesitancy spread and gathered force. This led most companies to implement drastic cost-cutting measures, reducing or temporary halting production and shutting down plants. Consequently, a growing number of Lectra customers have suspended their decisions and frozen their investment programs. This situation prevails in all of the company's geographical markets and market sectors.

In this context, the downturn in orders for new software licenses and CAD/CAM equipment intensified sharply throughout the year. Overall, orders in 2008 fell by 31% (–€33.3 million) relative to 2007, to €71.9 million.

Revenues and Order Backlog Drop

The U.S. dollar was highly volatile throughout 2008, with an average parity of $1.47/€1, down 7% compared to 2007. This change mechanically reduced the various revenue components by 2 to 3% and income from operations by €2.4 million at actual exchange rates, compared to like-for-like figures.

Revenues ended the year down 9% at €198.1 million, at actual exchange rates, and down 6% like-for-like. Revenues from new systems sales fell by 14% relative to 2007, while recurring revenues rose 2%.

Recurring revenues again demonstrated their role as a key stabilizing factor for the company, in Lectra's business model, acting as a cushion in periods of economic slowdown.

The combination of a strong backlog at December 31, 2007, together with weak orders in 2008, resulted in two phenomena: 2008 revenues from new software licenses and CAD/CAM equipment exceeded orders booked during the year by 15%, and the order backlog at December 31, 2008 (€9.1 million), was down sharply (–€10.7 million) relative to December 31, 2007.

Income from Operations Holds Up Well Thanks to Cost-Cutting Measures

The overall gross margin worked out to 66.8%, up 0.4 percentage point like-for-like relative to 2007.

Total overhead costs were €125.4 million, down €6.4 million (–5%) compared to 2007. The particularly adverse business conditions led the company in July to adopt measures aimed at limiting its expenses and, more generally, managing its overhead costs more rigorously. These measures were further reinforced in September and are additional to the positive effect of the (French) tax credit for research, thereby explaining the reduction in overhead costs relative to 2007. (They were expected to rise in 2008 at the beginning of the year.)

Income from operations amounted to €7.0 million. On a like-for-like basis, income from operations worked out to €9.3 million, down 9% relative to 2007.

Net income amounted to €3.2 million, down €2.6 million (–44%) compared to 2007 at actual exchange rates.

Free cash flow after €1.6 million in non-recurring disbursements amounted to a negative €4.8 million in 2008 (–€8.3 million in 2007, after €6.4 million in non-recurring disbursements).

Dividend Suspended

The level of net income of the company in 2008 does not justify the payment of a dividend in respect of the fiscal year. Confirming its confidence in the future, the Board of Directors intends to propose to the shareholders to resume its dividend payment policy as soon as its financial condition permits.

Signature of an Amendment to the Medium-Term Loan Contract

The company has given an undertaking to the two lending banks in respect of the €48 million medium term loan put in place to finance the public stock buyback tender offer for 20% of the company's share capital carried out in May 2007, to comply with certain covenants at December 31 of each year. Anticipating that it would not be in a position to comply with these covenants at that date, the company entered discussions in October. An amendment to the loan contract was signed on December 19 modifying the two ratios at December 31, 2008, such as to allow the company to respect them. In return for this agreement the margin was raised to 1.85% effective January 1, 2009, versus 1% previously.

Early Reimbursement of the (French) Tax Credits for Research

Thanks to the measures announced by the French government on December 4, 2008, as part of its economic stimulus plan, the company will receive in the first half of 2009 the full amount of the receivable of €14 million held on the French State corresponding to the (French) tax credits for research recognized since 2005.

Business Trends and Outlook

At the time of this report, macro-economic conditions are more uncertain than ever. The year 2009 will therefore be a difficult one, for all companies around the world: the current conditions therefore call for extreme vigilance.

Lectra has demonstrated its resilience whenever it has experienced difficult periods in its history. Its prime objective is therefore to emerge strengthened from the economic crisis. The necessary measures were taken very rapidly and implemented with immediate effect as of January 1.

Once the crisis is over, however, companies in the different geographical and market sectors served by the company will presumably need to acquire the technologies required to boost their competitiveness. Lectra customers may also begin to catch up on investments frozen or shelved for the past several quarters.

The company therefore remains confident in the strength of its business model and its medium-term growth prospects. The major objectives in its strategic plan are unchanged: to increase the technological advance and high value of its product and service offer, to strengthen its competitive position and its long-term relationship with its customers, to accelerate the pace of organic growth once the crisis is over, to increase profitability by regularly increasing the operating margin, and to generate free cash flow exceeding net income.

2009 Outlook

(The figures for 2009 referred to below are based on the assumption of an average parity of $1.40/€1 used for the 2009 budget—changes are like-for-like compared to the 2008 results translated at the exchange rates used for the 2009 scenarios.)

The company has opted to not formulate a view of its outlook for 2009, given the total lack of visibility.

Macro-economic conditions are expected to remain deteriorated over the coming quarters and orders for new software licenses and CAD/CAM equipment persistently weak, although it is impossible to estimate the extent of this weakness.

The main uncertainty for 2009 therefore concerns the level of revenues from sales of new systems. This uncertainty is all the greater since the year has begun with a particularly weak backlog, contrary to the exceptionally strong figure at the beginning of 2008. The company expects that, in all probability, it will register an operating loss in Q1 2009.

The 2009 action plan allows for fixed overhead costs to be adjusted so as to reach the company's breakeven point (i.e., to keep net income positive) if orders for new software licenses and CAD/CAM equipment booked in 2009 are 15% less than in 2008 (representing a decline of 42% relative to 2007). Corresponding revenues would be €178 million and income from operations €1.7 million.

Further, a persistent strengthening of the dollar would have two positive effects for Lectra: it would have a mechanical impact on its activity and financial results, and it would bolster its competitiveness (its main competitor being American).

At the same time, free cash flow before non-recurring items will be lifted in 2009 by the early reimbursement by the French Inland Revenue Service of the total figure of €14 million in respect of tax credits for research recognized in the balance sheet at December 31, 2008. This item should therefore be comfortably positive in all profit scenarios.

First quarter earnings for 2009 will be published on April 29. The Annual Shareholders' Meeting will take place on April 30, 2009.

*The Management Discussion and Analysis of Financial Condition and Results of Operations for Q4 and the fiscal year 2008 are available at **www.lectra.com**.*

With 1,500 employees worldwide, Lectra is the world leader in software, CAD/CAM equipment and related services dedicated to large-scale users of textiles, leather and industrial fabrics. Lectra addresses a broad array of major global markets including fashion (apparel, accessories, and footwear), automotive (car seats and interiors, airbags), and furniture, as well as a wide variety of other industries, such as the aeronautical and marine industries, wind power, etc.

Lectra (code ISIN FR0000065484) is listed on Euronext Paris (compartment C).

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