

Q4 2009 Financial Results Exceed Expectations

- Revenues: €42.6 million (-7%)^(*)
- Income from operations before non-recurring items^(**): €2.6 million (+76%)^(*)
- Net income: €0.6 million

(*) like-for-like

(**) income from operations before non-recurring items

(in millions of euros)	October 1 - December 31		January 1 - December 31	
	2009	2008	2009	2008
Revenues	42.6	47.2	153.2	198.1
Change like-for-like ⁽¹⁾	-7%		-23%	
Income (loss) from operations before non-recurring items ⁽²⁾	2.6	1.9	(2.8)	7.0
Change like-for-like ⁽¹⁾	+76%		ns	
Income (loss) from operations ⁽²⁾	0.7	1.9	(4.7)	7.0
Change like-for-like ⁽¹⁾	-23%		ns	
Net income (loss)	0.6	0.4	(3.6)	3.2
Free cash flow before non-recurring items ⁽³⁾	2.5	2.7	9.9	(3.2)
Equity ⁽⁴⁾			24.7	28.6
Net financial borrowing ⁽⁴⁾			47.8	56.4

⁽¹⁾ Like-for-like: 2009 figures restated at 2008 exchange rates

⁽²⁾ In 2009, excluding a non-recurring charge of €1.9 million in Q4 and in the fiscal year

⁽³⁾ Non-recurring items of free cash flow: disbursement of €0.5 million in Q4 and €0.7 million for the fiscal year 2009 (€0 million in Q4 2008 and €1.6 million for the fiscal year 2008)

⁽⁴⁾ At December 31

Paris, February 11, 2010. Today, Lectra's Board of Directors, chaired by André Harari, reviewed the audited consolidated financial statements for the full year 2009.

(Detailed comparisons between 2009 and 2008 are like-for-like.)

Q4 2009: Orders Recover Strongly

Orders for new software licenses and CAD/CAM equipment (€17.8 million) are distinctly higher than for the first three quarters of 2009 (€10.4, €10.6 and €11.3 million, respectively). They were up 22% overall compared to Q4 2008, confirming the first positive signs noticed in September.

Sales of spare parts and consumables are also on the rise, up 5% relative to Q4 2008, versus a 22% decline for the first nine months of the year, reflecting a progressive return to output growth in Lectra's customer firms.

Q4 2009 revenues (€42.6 million) are down 7%. Revenues from new systems sales (€17.5 million) were down 13%. Recurring revenues (€25.1 million) decreased by 2%.

Income From Operations Before Non-Recurring Items and Free Cash Flow Exceed Expectations

Income from operations before non-recurring items was positive at €2.6 million, due to the combined effect of a slight rebound in activity, an improvement in margins, and the cost-cutting measures initiated at the beginning of the crisis and further reinforced throughout the year.

Fixed overhead costs, before non-recurring items, amounted to €25.4 million, a reduction of €4.2 million (-14%).

Further initiatives to reorganize and optimize resources were taken at the end of 2009 to improve the company's key operating ratios in 2010. These initiatives add up to an aggregate non-recurring charge of €1.9 million. They will further reduce the Group's fixed overhead costs by €3.1 million in a full year.

The company registered a positive net income of €0.6 million, slightly up compared to 2008, at actual exchange rates.

Free cash flow was positive at €2.0 million, after €0.5 million in non-recurring disbursements.

The International Arbitral Tribunal Awards Lectra €25.3 million

On October 28, 2009, the International Court of Arbitration of the International Chamber of Commerce (with hearings in London) notified the parties of the award in the arbitration initiated in June 2005 by Lectra against Induyco, the former shareholder of Investronica Sistemas.

Induyco has since opposed to the payment of the award and obtained an interim order in Spain temporarily suspending operation of the first demand guarantees it had provided to Lectra (Lectra has appealed against this decision). Induyco also commenced proceedings in Spain, challenging Lectra's demand under the demand guarantees, and in the U.K., challenging the award.

Lectra considers both court actions to be entirely without merit and intends to mount an aggressive and vigorous defense of its rights, and to seek recovery of the amounts due to it under the award.

In view of these new proceedings, the award of €25.3 million has not been recognized in the 2009 financial statements, and the accounting methods applied to the arbitration procedure, as adopted at December 31, 2008, remain unchanged.

As all costs incurred by Lectra at the date of the award have already been paid in full, the execution of the arbitral decision will result in a cash inflow equal to the total amount of the award, i.e., €25.3 million (plus interest since the date of the decision).

Receipt of the award would enable the company to halve its existing debt.

2009: A Year Dominated by the Consequences of the Financial and Economic Crisis

Many companies suffered a brutal deterioration in their situation, with revenues tumbling as economic activity decreased sharply. This forced them to cut costs, drastically in many cases, and to freeze all their investment decisions. Many had to close plants, and some went out of business. The company was severely affected by its customers' difficulties and more generally by global macroeconomic conditions.

Particularly Weak Business Activity

After falling 31% in 2008, orders for new software licenses and CAD/CAM equipment (€50.1 million) suffered a further identical fall in 2009. Orders for new software licenses dropped 28%, and those for CAD/CAM equipment were down 32%. The decline was 53% relative to 2007.

Revenues ended the year down 23% at €153.2 million, at actual exchange rates as well as like-for-like relative to 2008. Revenues from new systems sales (€56.2 million) fell by 41%, while recurring revenues (€97 million) declined by 7%.

The order backlog for new software licenses and CAD/CAM equipment at December 31, 2009 (€12.9 million) increased by €3.7 million relative to January 1. Most of this increase is a result of orders booked in the fourth quarter.

Income from Operations and Net Income Hold Up Well – Free Cash Flow Highly Positive

The overall gross margin worked out to 70.7%. Like-for-like, it came to 70.6%, up 3.8 percentage points relative to 2008.

Total overhead costs were €111.1 million, down €15.4 million (–12%) compared to 2008. These figures exclude the non-recurring charges expensed in Q4 2009.

Despite the economic crisis, the company continued to invest significantly in research and development.

Income from operations before non-recurring items was negative at €2.8 million. On a like-for-like basis, the loss was negative at €2.9 million, down €9.9 million relative to the positive income from operations in 2008.

Given the scale of the decrease in revenues from new systems sales, and despite their unusual decline, recurring revenues continued to play their role as a key stabilizing factor in Lectra's business model, acting as a cushion in periods of economic slowdown.

Net loss was €3.6 million (compared to a net income of €3.2 million in 2008).

This loss does not permit payment of a dividend in respect of the year in review. Re-affirming 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.

After €0.7 million in non-recurring disbursements, free cash flow was positive at €9.3 million.

Business Trends and Outlook

Several signs appeared to point to the beginnings of an improvement at the end of 2009, confirming the forecasts of most observers of an upturn in activity and a more or less pronounced return to growth as early as 2010. The rebound in orders in Q4 enabled the company to end the year on an optimistic note and gives grounds for hope, but it should be borne in mind that orders were still down 37% relative to Q4 2007, the last year before the onset of the crisis.

At the time of this press release, macroeconomic conditions remain uncertain. The unprecedented scale of the economic and financial crisis has perhaps not yet ceased to influence the situation of national economies and businesses alike, and the ending of some significant measures taken by most governments in their stimulus plans could weaken activity in certain sectors.

Like 2009, 2010 could therefore be a difficult one for Lectra, as for many companies around the world, pending confirmation of a lasting improvement in macroeconomic conditions. Visibility remains limited and uncertainty persists, calling for continued great vigilance.

2010 Outlook

(The figures for 2010 are based on the assumption of an average parity of \$1.50/€1 used for the 2010 budget, and changes are like-for-like compared to the 2009 results translated at the exchange rates used for 2010).

As in 2009, the action plans for 2010 were developed after exploring every possible form of action capable of lowering the company's breakeven point, by cutting its fixed overhead costs, safeguarding its margins, raising its security ratio (i.e., the coverage of annual fixed overhead costs by gross margin on recurring revenues), and continuing to generate significant positive free cash flow. The requisite fundamental measures have been implemented, some of them with effect as of January 1, 2010.

The main uncertainty for 2010 concerns the level of revenues from new systems sales. Given the order backlog at January 1, expected changes in the product mix in orders for new software licenses and CAD/CAM equipment, and the forecast level of recurring revenues, the company would exceed its breakeven point (i.e., achieve a positive net income) if orders for new software licenses and CAD/CAM equipment grew by more than 20% relative to 2009. In that case, orders would make good 18% of the gap between their level in 2007, before the crisis, and 2009. The corresponding revenues would amount to €163 million and income from operations to around €3 million.

The company has opted not to formulate estimates for the 2010 outlook, given the lack of visibility.

Macroeconomic conditions in the first half of 2010 are expected to remain impaired and orders for new software licenses and CAD/CAM equipment persistently weak, although it is impossible to estimate the extent of this weakness. First-quarter income from operations is expected to be slightly negative or close to breakeven. In an optimistic scenario, the economy, and hence sales activity, could bounce back in the second half of the year.

Overall, unless economic conditions deteriorate further in 2010 compared to 2009, income from operations and net income should be positive.

Finally, free cash flow should exceed income before tax.

On February 3, 2010, the company hedged its exposure to the U.S. dollar for the first quarter (\$1.40/€1).

Once the crisis is over, firms in the different geographical and market sectors served by the company will presumably need to acquire the technologies they require to boost their competitiveness. The crisis has amplified the challenges they face. Lectra customers should also begin to catch up on investments frozen or shelved for the past two years.

The company remains confident in the strength of its business model and its medium-term growth prospects. As reiterated last year, Lectra has consistently demonstrated its resilience during difficult periods in its history. Its prime objective is therefore to emerge strengthened from the current economic crisis.

First quarter earnings for 2010 will be published on April 29. The Annual Shareholders' Meeting will take place on April 30, 2010.

The Management Discussion and Analysis of Financial Condition and Results of Operations for Q4 and the fiscal year 2009 are available at www.lectra.com.

With nearly 1,400 employees worldwide, Lectra is the world leader in software, CAD/CAM equipment and related services specially created for large-scale users of textiles, leather and industrial fabrics. Lectra serves a broad array of major global markets including the fashion (apparel, accessories, and footwear), automotive (car seats and interiors, airbags), and furniture industries, as well as a wide variety of other sectors, such as the aeronautical and marine industries, wind energy, etc.

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

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