MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE FIRST QUARTER 2009

To all Shareholders,

We report below on the Lectra group's business activity for the first quarter 2009, ending March 31.

To make the discussion of revenues and earnings as relevant as possible, detailed comparisons between 2009 and 2008 are based—unless stated otherwise—on 2008 exchange rates ("like-for-like").

1. SUMMARY OF OPERATIONS FOR Q1 2009

With an average parity of $1.30/€1, the U.S. dollar was up 15% compared to the average parity of the first quarter 2008. This change mechanically increased the various revenue components by 3 to 4% and income from operations by €0.3 million at actual exchange rates compared to like-for-like figures.

Orders Remain Weak

Business conditions were particularly weak in the first quarter, with many customers reporting a further severe deterioration in their situation and visibility remaining very limited.

Given these conditions, the company experienced another decline in business activity, as customers continued to cut their costs and to freeze or postpone investment decisions.

As a result, Q1 orders for new software licenses and CAD/CAM equipment were down 50% overall compared to Q1 2008, amounting to only €10.4 million. This fall off in orders gathered pace in 2008 with each succeeding quarter, culminating in a fall of 48% in Q4 2008 compared to Q4 2007. Orders for new software licenses dropped 42%, and those for CAD/CAM equipment were down 54%.

All market sectors and geographic markets have been affected; the automotive market has been worst hit, with a fall of 84%.

At the same time, orders for spare parts and consumables, which traditionally hold up well, have fallen sharply, something which happened for the first time in Q4 2008, due to significantly lower production levels and plant closures.

Revenues and Earnings Fall Sharply

Q1 2009 revenues totaled €37.6 million overall, down 30% relative to Q1 2008. At actual exchange rates, they were down 28%.

Revenues from new systems sales (€13.9 million) were down 50%. Recurring revenues (€23.7 million) decreased by 9%, the result of a combination of a slight increase (1%) in revenues from recurring contracts and a 25% decrease in revenues from spare parts and consumables.

As the company had anticipated on February 12, 2009, Q1 income from operations was negative, at –€3.2 million (versus a positive income from operations of €1.6 million for Q1 2008). While the loss on operations was a direct result of the combined impact of significantly lower new systems sales and reduced sales of spare parts and consumables, it was partly limited by the impact of measures initiated in 2008 to cut fixed overhead expenses.

The company registered a net loss of €3.2 million (compared to a net income of €0.6 million in Q1 2008).

Free Cash Flow Highly Positive

Free cash flow is positive at €11.6 million. This item benefited from the advance repayment in Q1 2009 of €14.1 million corresponding to the (French) research tax credits *(crédit d'impôt recherche)* for the years 2005 through 2008, which were recognized in the balance sheet at December 31, 2008. These advance repayments were a result of measures announced by the French government on December 4, 2008, under its economic stimulus plan.

2. Q1 2009 CONSOLIDATED FINANCIAL STATEMENTS

Revenues

Revenues for Q1 2009 totaled €37.6 million, down 28%, like-for-like, compared to Q1 2008. They were down 30% at actual exchange rates.

The decline was 26% in Europe, 17% in the Americas, and 52% in the Asia-Pacific region, where the share of recurring subscription contracts in total revenues is lower. These three regions accounted for 60% (including 10% for France), 20%, and 15% of total revenues respectively. Revenues from the rest of the world fell 32% and represented 5% of total revenues.

Revenues from New Systems Sales Decline

New software license revenues (€4.6 million) decreased by 43% overall and contributed 12% of total revenues (15% in 2008).

CAD/CAM equipment revenues (€7.2 million) were down 58% and accounted for 19% of total revenues (32% in 2008).

Revenues from training and consulting (€1.9 million) were down 8%.

Overall, revenues from new systems sales (€13.9 million) fell 50% and represented 37% of total revenues (51% in 2008).

Decline in Recurring Revenues

Recurring revenues (€23.7 million) decreased by €22 million overall (–9%) and, as a result of weak sales of new systems, they accounted for 63% of total Q1 revenues (49% in Q1 2008).

Revenues from recurring contracts—which represented 70% of recurring revenues and 44% of total revenues—were €16.6 million. As expected, this item registered only a slight increase (1%), a nonetheless satisfactory result in the current economic conditions, given both the steep fall in sales of new systems and persistently high cancelation rates in recent months, with certain customers reducing or halting their activity or cutting costs. Recurring contracts, which concern approximately two-thirds of Lectra's 23,000 customers, can be broken down as follows:

- Revenues from software evolution contracts (€7.6 million) were up 3% and represented 20% of total revenues;
- Revenues from CAD/CAM equipment maintenance contracts and from subscription contracts to Lectra's five International Call Centers were unchanged at €9 million and represented 24% of total revenues.

Meanwhile, revenues from spare parts and consumables (€6.8 million) fell by 25%. This revenue component fell the first time in Q4 2008, after several years of uninterrupted and sustained growth.

Given the unprecedented scale of the decline in revenues from new systems sales, despite their unaccustomed fall, 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.

Order Backlog Falls Slightly

As Q1 2009 revenues exceed orders booked in the period, the order backlog for new software licenses and CAD/CAM equipment at March 31 (€8.2 million) is down by €0.9 million relative to December 31, 2008. This comprises €4.8 million for shipment in Q2 2009, €0.9 million over the remainder of the year, and €2.5 million in 2010.

Gross Margin

The overall gross margin worked out to 70.6%.

Like-for-like, it came to 69.9%, up 4.8 percentage points relative to Q1 2008 (65.1%). This positive change stems from the increased share of recurring revenues, for which gross margin is higher than on revenues from new systems sales, in total revenues. Personnel expenses and other operating expenses incurred in the execution of service contracts are not included in cost of sales, but are recognized in selling, general and administrative expenses.

Overhead Costs

Total overhead costs were €29.7 million, down €3.2million (–10%) compared to Q1 2008. They break down as follows:

- €28.7 million in fixed overheads costs and allowances, down €1.8 million (–6%);
- €1 million in variable costs (–61%).

Research and development costs are fully expensed in the period and included in the above-mentioned fixed overheads. Before deducting the (French) research tax credit and R&D program grants received, these costs amounted to €4.2 million and represented 11.1% of revenues (compared to €5 million and 9.6% in 2007). Net R&D costs after deduction of the research tax credit and grants amounted to €2.4 million, versus €2.8 million in 2008.

The 6% fall in fixed overhead costs and allowances is consistent with the 2009 action plan and results from cost-cutting measures implemented from July 2008 onward. These measures were reinforced in September, and again in December.

Income from Operations and Net Income

Income from operations was negative at —€3.2 million. On a like-for-like basis, income from operations worked out to a negative €3.5 million, down €5.1 million relative to the positive income from operations of €1.6 million in Q1 2008.

The operating margin was a negative 8.5%. On a like-for-like basis, it worked out to a negative 9.5% (versus +3.1% in Q1 2008).

Net financial expenses represent a net charge of €1.0 million. Net foreign exchange loss amounted to €0.1 million.

After an income tax gain of €1.2 million, net loss was €3.2 million, down €3.8 million compared to the positive net income of €0.6 million in Q1 2008 at actual exchange rates.

Net earnings per share on basic and diluted capital showed a loss of €0.11, compared to positive earnings of €0.02 per share in Q1 2008.

Free Cash Flow

Free cash flow before non-recurring items amounted to a positive €11.7 million (+€0.1 million in Q1 2008.)

Free cash flow after €0.1 million in non-recurring disbursements amounted to €11.6 million (the figure was a negative €1.1 million in 2008, after €1.2 milion in non-recurring disbursements). This was the result of €12.3 million in cash provided by operating activities (which includes a €14.7 million decrease in working capital requirement) and of €0.7 million in capital expenditures. The amount of €14.7 million includes the positive impact (€14.1 million) of the early repayment of the research tax credits from 2005 to 2008 and the negative impact (€1.3 million) of the Q1 2009 research tax credit which was accounted for but not cashed.

Excluding the impact of research tax credits, free cash flow for Q1 2009 amounted to a negative €1.2 million.

Balance Sheet Structure

At March 31, 2009, consolidated shareholders' equity amounted to €24.8 million (€28.1 million at December 31, 2008).

This figure is calculated after deduction of treasury shares held under the Liquidity Agreement with SG Securities (Société Générale Group), carried at cost—i.e., €1.6 million (€1.5 million at December 31, 2008).

Cash and cash equivalents totaled €13.8 million (€10.2 million at December 31, 2008).

Financial borrowings totaled €58.9 million (€66.5 million at December 31, 2008), of which:

- €48 million corresponds to the medium-term bank 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;
- €9.3 million corresponds to the use of cash credit facilities (€16.9 million at December 31, 2008);
- €1.6 million corresponds to interest-free repayable advances to finance research and development programs.

Net financial borrowings consequently totaled €45.1 million (€56.4 million at December 31, 2008).

Taking into account available cash and cash equivalents and unused confirmed cash credit facilities, total liquidity available to the company at March 31, 2009, amounted to €25.5 million *(see chapter 9.2 of the notes to this report)*.

Litigation Pending

The arbitration initiated by Lectra against Induyco in June 2005 before the International Court of Arbitration of the International Chamber of Commerce (ICC Court) in hearings in London, concerning the acquisition in 2004 of Investronica Sistemas, is still in progress *(see chapter 7 of the notes to this report)*.

On March 15, 2009, the arbitral tribunal informed the parties that it expected to close the proceedings and submit a draft of its final award to the ICC Court shortly, and to notify the parties of the outcome of this stage in the procedure. The arbitral tribunal had previously indicated that it expects the award to address all extant issues, including legal and arbitration costs.

Under the ICC rules, the ICC Court is required to review and approve the draft award before notification of the award to the parties.

As a result of this process and in light of the tribunal's communication, Lectra anticipates receiving the award at the end of the second or in the third quarter 2009.

3. SHARE CAPITAL – OWNERSHIP – SHARE PRICE PERFORMANCE

Change in Share Capital

At March 31, 2009, share capital totaled €27,640,648.58, divided into 28,495,514 shares with a par value of €0.97, unchanged compared to December 31, 2008.

At the date of publication of this report, to the company's knowledge, the main shareholders are:

- André Harari and Daniel Harari, who together hold 39% of the capital and of the voting rights;
- Société Financière de l'Echiquier (France) and Insinger de Beaufort AM NV (Netherlands), who each hold more than 10% (but less than 15%) of the capital and voting rights, on behalf of investment funds managed by them or for their clients.
- Delta Lloyd Asset Management N.V. (Netherlands), acting on behalf of funds it manages, holds more than 5% (but less than 10%) of the capital and less than 5% of voting rights.

No change of shareholding entailing a crossing of statutory thresholds has been notified to the company since January 1, 2009.

Finally, the company holds 1.4% of its own shares in treasury shares, only within the framework of the Liquidity Agreement with SG Securities.

Share Price Performance and Trading Volumes

The company's share price at March 31, 2009, was €1.97, down 39% compared to December 31, 2008 (€3.25). Since January 1, 2009, the share price has reached a high of €3.25 (January 2) and a low of €1.80 (March 27). The CAC 40 and CAC Mid&Small190 indexes were down 13% and 6% respectively, over the same period.

This sharp drop occurred in especially low trading volumes: according to Euronext figures, only 0.2 million shares were traded, a decrease of 78% compared to the same period of 2008. The volume of capital traded decreased by 89%, dropping to €0.5 million.

Lectra shares figure among those that make up the SBF 250, CAC Small90, and CAC Mid&Small190 indexes.

Following the steep decline in the company's stock market capitalization at December 31, 2008 (€92.6 million), Lectra's shares were transferred by Euronext Paris from Compartment B to Compartment C in January 2009.

4. POST-CLOSING EVENTS

No significant event has occurred since March 31, 2009.

5. FINANCIAL CALENDAR

First-half earnings for 2009 will be published on July 30, 2009, after the close of trading on Euronext.

The Annual Shareholders' Meeting will take place on April 30, 2009.

6. BUSINESS TRENDS AND OUTLOOK

The financial report of February 12, 2009, on the Q4 and full-year 2008 financial statements discussed this matter in detail, as did the Annual Report for 2008. The company explained that 2009 will be a difficult year for Lectra as for all companies worldwide, and has opted not to formulate any estimates regarding its outlook for 2009, given the total lack of visibility.

At the time of this report, macroeconomic conditions remain unchanged and therefore call for extreme vigilance.

Deteriorated macroeconomic conditions are expected to persist over the coming quarters and orders for new software licenses and CAD/CAM equipment remain weak, although it is impossible to estimate the extent of this weakness.

First-quarter results are consistent with the key objectives set out in the 2009 action plan, made necessary by the unprecedented scale of the global economic crisis. This plan, which has been in force since January 1, 2009, allowed 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) and if recurring revenues remain stable. On that basis, corresponding revenues would amount to €178 million and income from operations €1.7 million.

If orders for new systems in the next quarters remain at the same level as in the first quarter, adjusted solely for the effects of seasonal variations in Lectra's activity, orders for the full year could record a fall of around 30% relative to 2008 (representing a decline of 52% relative to 2007).

Further, if the sharp downturn in sales of spare parts and consumables continues over the coming quarters, this could undermine the aforementioned breakeven scenario, with recurring revenues for the period falling by approximately 6–8%.

Finally, the cost-cutting measures implemented in 2008 are expected to reveal their full impact from the second quarter onward.

The company will very probably register a further loss on operations in the second quarter of 2009. However, even in these circumstances, income from operations should return to breakeven or be slightly positive in the second half.

As stated on February 12, the company will be obliged to take additional cost-cutting measures in order to lower its fixed overhead costs even further if the impact of the crisis deepens.

At the same time, lifted in Q1 2009 by the early receipt of the research tax credit, free cash flow before non-recurring items should be positive in all financial scenarios.

The Board of Directors

April 29, 2009

Company Certification of the First Quarter 2009 Report

We certify that, to our knowledge, the financial statements have been prepared in accordance with currently applicable accounting standards and provide a fair view of the assets, financial condition, and results of the company and of its consolidated companies. We further certify that the first quarter report on operations presents a true and sincere view of the significant events that occurred during the first three months of the fiscal year and their impact on the financial statements, and a description of the main risks and uncertainties for the coming nine months.

Paris, April 29, 2009

Daniel Harari	Jérôme Viala
Chief Executive Officer	Chief Financial Officer

Consolidated balance sheet

ASSETS (in thousands of euros)	As at March 31, 2009	As at December 31, 2008	As at March 31, 2008
Goodwill	36,371	36,077	35,752
Other intangible assets	5,894	5,887	5,815
Property, plant and equipment	14,211	14,420	14,986
Non-current financial assets	1,497	1,656	1,727
Deferred income tax	13,487	12,097	10,114
Total non-current assets	71,460	70,137	68,394
Inventories	27,081	28,614	31,137
Trade accounts receivable	35,742	39,997	46,489
Current income tax receivable	2,554	15,207	11,109
Other current assets	11,282	8,698	14,017
Cash and cash equivalents	13,818	10,175	11,290
Total current assets	90,477	102,691	114,042
Total assets	161,937	172,828	182,436

EQUITY AND LIABILITIES	As at March 31, 2009	As at December 31, 2008	As at March 31, 2008
Share capital	27,641	27,641	42,743
Share premium	1,034	1,033	1,034
Treasury shares	(1,617)	(1,498)	(1,039)
Retained earnings	6,645	9,661	(7,759)
Currency translation adjustment	(8,909)	(8,719)	(8,719)
Total equity	24,794	28,118	26,260
Retirement benefit obligations	3,653	3,746	3,571
Borrowings, non-current portion	49,453	49,433	48,854
Total non-current liabilities	53,106	53,179	52,425
Trade and other payables	35,503	39,490	48,686
Deferred revenues	36,816	32,310	37,585
Current income tax liabilities	352	654	627
Borrowings	9,495	17,096	14,723
Provisions for other liabilities and charges	1,871	1,981	2,130
Total current liabilities	84,037	91,531	103,751
Total equity and liabilities	161,937	172,828	182,436

Consolidated income statement

(in thousands of euros)	Three months ended March 31, 2009	Three months ended March 31, 2008
Revenues	37,591	51,973
Cost of goods sold	(11,058)	(18,156)
Gross profit	26,533	33,817
Research and development	(2,410)	(2,823)
Selling, general and administrative expenses	(27,332)	(29,389)
Income (loss) from operations	(3,209)	1,605
Financial income	57	64
Financial expense	(1,035)	(961)
Foreign exchange loss	(125)	(435)
Income (loss) before tax	(4,312)	273
Income tax	1,159	376
Net income (loss)	(3,153)	649

(in euros)	Three months ended March 31, 2009	Three months ended March 31, 2008
Earnings per share		
- basic	(0.11)	0.02
- diluted	(0.11)	0.02
Shares used in calculating earnings per share		
- basic	28,108,992	28,332,877
- diluted	28,108,992	28,394,870

Comprehensive income

(in thousands of euros)	Three months ended March 31, 2009	Three months ended March 31, 2008
Currency translation adjustment	(305)	(45)
Fair value of stock options	59	82
Efficient part of the fair value variation of currencies hedges	982	-
Efficient part of the fair value variation of interest-rate swap	(693)	(519)
Tax effect on comprehensive income items	(96)	173
Net income (expense) recognised directly in equity	(53)	(309)
Net income (loss)	(3,153)	649
Net income (expense) recognised as at March 31	(3,206)	340

Consolidated cash flow statement

(in thousands of euros)	Three months ended March 31, 2009	Three months ended March 31, 2008
I - OPERATING ACTIVITIES		
Net income (loss)	(3,153)	649
Depreciation and amortization	1,901	2,075
Non-cash operating expenses	195	867
Loss on sale of fixed assets	-	1
Changes in deferred income taxes, net value	(1,369)	(801)
Changes in inventories	1,132	(1,771)
Changes in trade accounts receivable	7,539	8,379
Changes in other current assets and liabilities	6,022	(9,479)
Net cash (used in)/provided by operating activities	12,267	(80)
II - INVESTING ACTIVITIES		
Purchases of intangible assets	(419)	(421)
Purchases of property, plant and equipment	(419)	(823)
Proceeds from sales of intangible assets and property, plant and equipment	139	-
Purchases of financial assets	(157)	(15)
Proceeds from sales of financial assets	169	245
Net cash used in investing activities	(686)	(1,014)
III - FINANCING ACTIVITIES		
Proceeds from issuance of ordinary shares	-	86
Purchases of treasury shares	(119)	(490)
Sales of treasury shares	-	25
Proceeds from borrowings	-	-
Repayments of borrowings	-	-
Net cash used in financing activities	(119)	(379)
Increase (decrease) in cash and cash equivalents	11,462	(1,473)
Cash and cash equivalents at the openning	(6,725)	(1,715)
Increase (decrease) in cash and cash equivalents	11,462	(1,473)
Effect of changes in foreign exchange rates	(219)	(36)
Cash and cash equivalents at the closing	4,518	(3,224)
Free cash flow before non-recurring items	11,661	84
Non-recurring items of the free cash flow	(80)	(1,178)
Free cash flow	11,581	(1,094)

Consolidated statement of changes in equity

(in thousands of euros, except for par value per share expressed in euros)	Share capital			Share premium	Treasury shares	Retained earnings	Translation adjustment	Net income	Equity
	Number of shares	Par value per share	Total par value						
Balances at January 1, 2008	28,476,899	1.50	42,715	976	(581)	(13,840)	(8,141)	5,170	26,299
Net expense recognised directly in equity								*(309)*	*(309)*
Net income								*649*	*649*
Net income recognised as at March 31				-	-	-	-	340	340
Issuance of ordinary shares	18,615		28	58					86
Sale (purchase) of treasury shares					(458)				(458)
Profit (loss) on treasury shares						(5)			(5)
Appropriation of prior-year earnings						5,748	(578)	(5,170)	-
Other changes						(2)			(2)
Balances at March 31, 2008	28,495,514	1.50	42,743	1,034	(1,039)	(8,099)	(8,719)	340	26,260
Balances at January 1, 2009	28,495,514	0.97	27,641	1,034	(1,498)	7,580	(8,719)	2,081	28,119
Net expense recognised directly in equity								*(53)*	*(53)*
Net loss								*(3,153)*	*(3,153)*
Net expense recognised as at March 31				-	-	-	-	(3,206)	(3,206)
Sale (purchase) of treasury shares					(119)				(119)
Appropriation of prior-year earnings						2,271	(190)	(2,081)	-
Balances at March 31, 2009	28,495,514	0.97	27,641	1,034	(1,617)	9,851	(8,909)	(3,206)	24,794

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT MARCH 31, 2009

1. BUSINESS ACTIVITY

Lectra was established in 1973 and has been listed on Euronext Paris (compartment C) since 1987. 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, personnel protective equipment, etc.

The company's technology offering is geared to the specific needs of each market, enabling its customers to design, develop and manufacture their products (garments, seats, airbags, etc.). For the fashion industry, Lectra's software applications also enable the management of collections and cover the entire product lifecycle (Product Lifecycle Management, or PLM). Lectra forges long-term relationships with its customers and provides them with full-line, innovative solutions.

The Group's customers comprise large national and international corporations and medium-sized companies. Lectra enables them to overcome their major strategic challenges: e.g., cutting costs and boosting productivity; reducing time-to-market; dealing with globalization; developing secure electronic communications across the supply chain; enhancing quality; satisfying the growing demand for mass-customization; and monitoring and developing their corporate image and brands. The Group markets full-line solutions comprising the sale of software, CAD/CAM equipment and associated services (technical maintenance, support, training, consulting, sales of consumables and spare parts).

With the exception of PCs and peripherals and certain products for which the company has formed long-term strategic partnerships, all Lectra software and equipment is designed and developed in-house. Equipment is assembled from sub-elements produced by an international network of subcontractors, and tested in the company's main industrial facilities in Bordeaux–Cestas (France) where most of Lectra's R&D is performed.

Lectra's strength lies in the skills and experience of its 1,500 employees worldwide, encompassing expert R&D, technical and sales teams with deep knowledge of its customers' businesses.

The Group has been present worldwide since the mid-1980s. Based in France, the company serves 23,000 customers in more than 100 countries through its extensive network of 31 sales and services subsidiaries, which are backed by agents and distributors in some regions. Thanks to this unrivalled network, Lectra generated 92% of its revenues directly in 2008. Its five International Call Centers, at Bordeaux–Cestas (France), Madrid (Spain), Milan (Italy), Atlanta (U.S.A.) and Shanghai (China) cover Europe, North America and Asia. All of the company's technologies are showcased in its International Advanced Technology & Conference Center at Bordeaux–Cestas (France), and its four International Advanced Technology Centers at Atlanta (U.S.A.), Istanbul (Turkey), Shanghai (China) and Mexico City (Mexico). Lectra is geographically close to its customers wherever they are, with nearly 920 employees dedicated to marketing, sales and services. It employs 220 engineers dedicated to R&D, and 170 employees in industrial purchasing, assembly and testing of CAD/CAM equipment, and logistics.

Business Model

Lectra's business model comprises two types of revenue streams:

- revenues from new systems sales (new software licenses and CAD/CAM equipment, and related services), the company's growth driver;
- recurring revenues, consisting partly of recurring contracts (e.g., software evolution, hardware maintenance and on-line support contracts), and partly of other statistically recurring revenues generated by the installed base (sales of spare parts and consumables, and per-call maintenance and support interventions). These recurring revenues are a key factor in the company's stability, acting as a cushion in periods of slow overall economic growth.

In addition, the business model is geared to generating free cash flow in excess of net income assuming utilization or receipt of the annual research tax credit applicable in France.

2. SUMMARY OF ACCOUNTING RULES AND METHODS

The consolidated financial statements are compliant with the International Financial Reporting Standards (IFRS) as adopted within the European Union.

The condensed consolidated financial statements at March 31, 2009 have been prepared in accordance with IAS 34 (Interim Financial Statements). They do not comprise all of the financial disclosures required in the complete annual financial statements and should be read in conjunction with the Group's consolidated financial statements for the fiscal year 2008, available on the company's Web site (www.lectra.com)

Comparisons identified as "like-for-like" correspond to 2009 figures restated at 2008 exchange rates, in comparison with actual data for 2008. There was no change in the scope of consolidation in 2009 or in 2008.

Critical Accounting Estimates and Judgments

Preparation of the financial statements in accordance with IFRS demands that certain critical accounting estimates be made. Management is also required to exercise its judgment in applying the Group's accounting methods. Although such estimates are made in a particularly uncertain environment, their relevance is supported by the Group's business model features. The areas involving a higher degree of judgment or complexity, or requiring material assumptions and estimates in relation to the consolidated financial statements, concern goodwill impairment and deferred taxation.

There has been no material change in the estimates utilized by Group Management since 31 December 2008.

Revenues

Revenues from sales of hardware are recognized when the significant risks and benefits relating to ownership are transferred to the purchaser.

For hardware, or for software in cases where the company also sells the computer equipment on which the software is installed, these conditions are fulfilled upon physical transfer of the hardware in accordance with the contractual sale terms.

For software not sold with the hardware on which it is installed, these conditions are generally fulfilled at the time of installation of the software on the customer's computer (either by CD-ROM or downloading).

Revenues from software evolution contracts and recurring services contracts are booked monthly over the duration of the contracts.

Revenues from the billing of services not covered by recurring contracts are recognized at the time of performance of the service or, where appropriate, on a percentage of completion basis.

Cost of Goods Sold

Cost of goods sold comprises all purchases of raw materials included in the costs of manufacturing, the change in inventory and inventory write-downs, all labor costs included in manufacturing costs which constitute the added value, freight-out costs on systems sales, and a share of depreciation of the manufacturing facilities.

This heading does not include salaries and expenses associated with service revenues, which are included under 'Selling, General and Administrative Expenses.'

Research and Development

The technical feasibility of software and hardware developed by the Group is generally not established until a prototype has been produced or until feedback is received from its pilot sites, conditioning their commercialization. Consequently, the technical and economic criteria rendering the recognition of research and development costs in assets at the moment they occur mandatory are not met, and research and development costs are therefore expensed in the year in which they are incurred.

Attention is drawn to the fact that the (French) research tax credit (*crédit d'impôt recherche*) as well as grants linked to R&D projects if any, are deducted from R&D expenses.

Borrowings and Financial Debt

The non-current portion of borrowings and financial debt comprises the portion due in more than one year of:

- the interest-bearing bank loans;
- non-interest bearing reimbursable advances corresponding to research and development grants.

The current portion of borrowings and financial debt comprises:

- the portion of borrowings and financial debt due in less than one year;
- cash credit facilities.

Borrowings and financial debts are recognized initially at fair value.

At balance sheet date, borrowings and financial debt are stated at amortized cost using the effective interest rate method, defined as the rate whereby cash received equals the total cash flows relating to the servicing

of the borrowing. Interest expenses on the bank loans and on the utilization of cash credit facilities are recognized as financial expenses in the income statement.

Free Cash Flow

Free cash flow is equal to net cash provided by operating activities minus cash used in investing activities—excluding cash used for acquisitions of companies (net of cash acquired).

3. SCOPE OF CONSOLIDATION

At March 31, 2009, the Group's scope of consolidation comprised Lectra S.A. together with 26 fully-consolidated companies.

Five sales and service subsidiaries are not consolidated, their revenues being immaterial both separately and in the aggregate. At March 31, 2009, their combined revenues totaled €0.3 million, and their combined assets totaled €1.8 million. They had no non-Group financial debt.

4. CONSOLIDATED STATEMENT OF INCOME—LIKE-FOR-LIKE CHANGE

	Three Months Ended March 31				
	2009		2008	Changes 2009/2008	
(in thousands of euros)	Actual	At 2008 exchange rates	Actual	Actual	Like-for-like
Revenues	37,591	36,468	51,973	-28%	-30%
Cost of goods sold	(11,058)	(10,969)	(18,156)	-39%	-40%
Gross profit	26,533	25,499	33,817	-22%	-25%
(in % of revenues)	70.6%	69.9%	65.1%	+5.5 points	+4.8 points
Research and development	(2,410)	(2,410)	(2,823)	-15%	-15%
Selling, general and administrative expenses	(27,332)	(26,568)	(29,389)	-7%	-10%
Income (loss) from operations	(3,209)	(3,479)	1,605	n/s	n/s
(in % of revenues)	-8.5%	-9.5%	3.1%	-11.6 points	-12.6 points
Profit (loss) before tax	(4,312)	(4,582)	273	n/s	n/s
Income tax	1,159	n/a	376	n/s	n/a
Net income (loss)	(3,153)	n/a	649	n/s	n/a

5. BREAKDOWN OF REVENUES—LIKE-FOR-LIKE CHANGE

Revenues by geographic region

(in millions of euros)	Three Months Ended March 31						
	2009			2008		Changes 2009/2008	
	Actual	%	At 2008 exchange rates	Actual	%	Actual	Like-for-like
Europe, of which :	22.5	60%	22.8	30.7	59%	-26%	-26%
- France	3.8	10%	3.8	4.2	8%	-10%	-10%
Americas	7.5	20%	6.8	8.3	16%	-10%	-17%
Asia-Pacific	5.6	15%	4.8	10.1	19%	-44%	-52%
Other countries	2.0	5%	2.0	3.0	6%	-35%	-32%
Total	37.6	100%	36.5	52.0	100%	-28%	-30%

Revenues by product line

(in millions of euros)	Three Months Ended March 31						
	2009			2008		Changes 2009/2008	
	Actual	%	At 2008 exchange rates	Actual	%	Actual	Like-for-like
Software, of which :	12.3	33%	11.9	15.1	29%	-19%	-21%
- New licenses	4.6	12%	4.5	7.9	15%	-41%	-43%
- Software evolution contracts	7.6	20%	7.5	7.2	14%	+5%	+3%
CAD/CAM equipment	7.2	19%	6.9	16.5	32%	-56%	-58%
Hardware maintenance and on-line services	9.3	25%	9.0	9.3	18%	0%	-3%
Spare parts and consumables	6.8	18%	6.7	8.8	17%	-23%	-25%
Training and consulting services	1.9	5%	1.8	2.0	4%	-6%	-8%
Miscellaneous	0.2	0%	0.1	0.3	0%	-54%	-55%
Total	37.6	100%	36.5	52.0	100%	-28%	-30%

Breakdown of revenues between new systems sales and recurring revenues

(in millions of euros)	Three Months Ended March 31						
	2009			2008		Changes 2009/2008	
	Actual	%	At 2008 exchange rates	Actual	%	Actual	Like-for-like
Revenues from new systems sales[1]	13.9	37%	13.3	26.6	51%	-48%	-50%
Recurring revenues[2], of which:	23.7	63%	23.1	25.3	49%	-6%	-9%
- Recurring contracts	16.6	44%	16.1	15.9	31%	+4%	+1%
- Other recurring revenues on the installed base	7.2	19%	7.0	9.4	18%	-24%	-26%
Total	37.6	100%	36.5	52.0	100%	-28%	-30%

[1] *Revenues from sales of new systems comprise sales of new software licenses, CAD/CAM equipment, PC's and peripherals, and related services.*

[2] *Recurring revenues fall into two categories:*
- software evolution, hardware maintenance and online support contracts, which are renewable annually,
- revenues from sales of spare parts and consumables, and one-off interventions, on the installed base, which are statistically recurrent.

6. CONSOLIDATED CASH FLOW SUMMARY

(in millions of euros)	Cash & Cash equivalents	Financial Debt	Net Cash (+)/ Net Debt (-)
Free cash flow before non-recurring items	11.7	-	11.7
Non-recurring items included in free cash flow	(0.1)	-	(0.1)
Sale and purchase of treasury shares[1]	(0.1)	-	(0.1)
Change in borrowings	-	-	-
Impact of currency variations – other	(0.3)	-	(0.3)
Change in cash position for the period	11.2	-	11.2
Situation at December 31, 2008 (balance sheet)	10.2	(66.5)	(56.4)
Use of cash credit facilities	(16.9)	16.9	-
Situation at December 31, 2008 (cash flow statement)	(6.7)	(49.6)	(56.4)
Situation at March 31, 2009 (balance sheet)	13.8	(58.9)	(45.1)
Use of cash credit facilities	(9.3)	9.3	-
Situation at March 31, 2009 (cash flow statement)	4.5	(49.6)	(45.1)

(1) Carried out solely under the Liquidity Agreement administered by SG Securities (Société Générale) in the framework of the stock buyback program approved by the April 30, 2008 General Shareholders Meeting.

Free cash flow at March 31, 2009 includes receipt of €14.1 million corresponding to the (French) research tax credits (*crédit d'impôt recherche*) for the years 2005 through 2008 not charged to corporate income tax and recognized in the balance sheet at December 31, 2008. These tax credits have been repaid early under the measures announced by the French government on December 4, 2008, as part of its economic stimulus plan. Excluding the impact of research tax credits free cash flow for the period amounted to a negative €1.2 million.

The working capital requirement decreases by €14.7 million. The latter figure is mainly accounted for by the following items:

- €1.1 million corresponds to reduction in inventories and work-in progress;
- €7.5 million corresponds to reduction in accounts receivable;
- €6 million corresponds to the change in other current assets and liabilities, including:
  - €14.1 million corresponding to the receipt of 2005–2008 research tax credits;
  - –€1.3 million for the 2009 research tax credit, recognized and not received *(see note 10.3 below)*
  - –€6.3 million corresponds to the reduction in payables to suppliers and in other current tax liabilities;

7. LITIGATION PENDING

The arbitration initiated by Lectra against Induyco in June 2005 before the International Court of Arbitration of the International Chamber of Commerce (ICC Court) in hearings in London is still in progress. This procedure relates to the acquisition in 2004 of Investronica Sistemas, whose situation, among others, obliged Lectra to recognize an €11.9 million impairment of goodwill in respect of 2005. The parties agreed in the share purchase agreement signed on April 2, 2004, that the decision of the arbitral tribunal would be final.

The final phase of the arbitral hearings took place in November 2007. On March 15, 2009, the arbitral tribunal informed the parties that it expected to close the proceedings and submit a draft of its final award to the ICC Court shortly, and to notify the parties of the outcome of this stage. The arbitral tribunal had previously indicated that it expects the award will address all extant issues, including legal and arbitration costs.

Under the ICC rules, the ICC Court is required to review and approve the draft award before the award will be noticed to the parties.

Lectra consequenly expects to receive the award before the end of the second quarter 2009 or in the third quarter.

In 2006, Induyco provided Lectra with first demand bank guarantees for a total amount of €17.2 million, in light of the company's outstanding claims. The total amount of this guarantee is without prejudice to the amount that might be awarded to Lectra in the arbitration.

The aggregate amount of legal fees, expert fees, and procedural and other costs incurred by Lectra in Q1 2009 is not material. The €5.6 million figure already recognized in current assets in the balance sheet at December 31, 2008, remains unchanged. The total amount of fees and costs since the beginning of the procedure to €9.8 million is also unchanged (of which €4.2 million were expensed in the 2005 and 2006 accounts). Lectra does not anticipate significant additional costs until the rendering of the award.

The total figure for current assets recognized until the rendering of the award will be deducted from the amount that might be awarded to Lectra in the arbitration.

8. TREASURY SHARES

Under the Liquidity Agreement administered by SG Securities (Paris), in Q1 2009, the company purchased 49,232 shares and sold 2 shares at an average purchase price of €2.41 and €2.02, respectively. The company has neither purchased nor sold shares outside of the Liquidity Agreement within the framework of the company's stock buyback programs, as authorized by the Ordinary and Extraordinary Shareholders' Meeting on April 30, 2008.

Consequently, at March 31, 2009, the company held 407,689 Lectra shares (or 1.4% of share capital) with an average purchase price of €3.96 entirely under the Liquidity Agreement.

9. BANK BORROWINGS AND LIQUIDITY

9.1 Medium-term Bank Loan of €48 million

The public stock buyback tender offer for 20% of the company's share capital, issued on May 2007, was financed by a €48 million medium-term bank loan from Société Générale and Natixis.

The loan is repayable in eight half-yearly installments starting June 30, 2010—the first two for €3.8 million each, the following four for €5.3 million each, and the last two for €9.6 million each (on June 30 and December 31, 2013). The contract provides for these repayments to be accelerated subject to an increase in cash and cash equivalents of a non-recurring character in the first three years, and arising from operations in subsequent years.

Further, the company is bound during the period of the loan to respect at December 31 of each year the covenants governing the ratios between its net financial borrowing and shareholders' equity ("gearing") on the one hand, and between net financial borrowing and EBITDA ("leverage") on the other.

The ratios to be respected at December 31 of each year until the maturity of this loan are as follows:

	2009	2010	2011	2012
Leverage	<2.3	<1.9	<1.7	<1.7
Gearing	<1.4	<1.2	<1	<1

At the same time, the loan contract entitles the banks to demand early repayment of the balance of the loan outstanding under a "change of control" clause in the event that one of more of the company's shareholders, acting in concert—with the exception of André Harari and/or Daniel Harari—came to hold more than 50% of the share capital and/or voting rights.

Furthermore, the company has undertaken to propose to the Ordinary Shareholders' Meeting called each year to approve the financial statements for the previous fiscal year to limit the dividend distributed to 50% of the consolidated net income for the year (if less than 50% of the consolidated net income for the year is distributed the difference relative to 50% may be distributed in subsequent years).

The loan carries interest at the 3-month Euribor rate plus 1.85% per year as from January 1, 2009, versus 1% previously (this margin may be reduced to 0.95% depending on the company's leverage ratio), according to the amendment to the loan contract signed on December 19, 2008 modifying the two ratios at December 31, 2008, such as to allow the company to respect them.

The company has hedged in 2007 its interest-rate risk exposure by converting this floating rate into a fixed rate via two interest-rate swaps *(see chapter 10 below)*. The total effective rate for 2009, computed on the basis of the real rate for the first quarter and the 3-month Euribor rate at April 1, 2009 for the past three quarters, is forecast to be 6.22% (with a margin of 1.85%).

9.2 Liquidity

The table below summarizes the cash position, confirmed cash credit facilities available to the company and its net debt, at March 31, 2009:

(in thousands of euros)	Limits	Utilizations	Available amounts
Confirmed cash credit facilities			
- until July 18, 2009	6,000	2,900	3,100
- until July 31, 2010	15,000	6,400	8,600
Total	21,000	9,300	11,700
Bank loan	48,000	48,000	-
Non-interest bearing repayable advances	1,648	1,648	-
Total financial debt	70,648	58,948	11,700
Cash and cash equivalents			13,818
Total	70,648	58,948	25,518

Taking into account cash and cash equivalents and the unused portion of confirmed cash credit facilities available to it, total liquidity available to the company at March 31, 2009 amounted to €25.5 million until July 18, 2009, and €19.5 million until July 31, 2010.

10. INTEREST-RATE HEDGING INSTRUMENTS

As stated in chapter 9 above, the company has hedged its exposure to the interest-rate risk on the €48 million medium-term bank loan, converting the floating rate into a fixed rate by means of two interest-rate swaps amounting to €42 million. The interest-rate hedge is based on the best possible estimate of the amount of the loan over the different periods hedged, having due regard to the contractual clauses.

These swaps satisfy IFRS criteria for a hedging transaction. Their fair value at March 31, 2009 was a negative €2.9 million, due to the decline in the 3-month Euribor rate relative to the rate prevailing when these swaps were put in place. These swaps are considered effective, since their value covers close to 90% of the risk, in consequence of which this amount is fully recognized in shareholders' equity.

11. CURRENCY RISK

The Group's exposure to risks and its risk management policy are unchanged relative to December 31, 2008.

Sensitivity of Revenues and Income from Operations to a Change in the Euro/Dollar Parity

The net exposure to the US dollar for 2009 is expected to be between $33 and 38 million.

The average parity assumed for the 2009 budget is $1.40/€1 (versus $1.47/€1 in 2008).

The company has hedged approximately 70% of its exposure to the dollar for 2009 through monthly forward-dollar sales at an average parity of $1.30/€1. Also at the same date it has hedged 70% of its exposure to the Japanese yen at an average parity of ¥115 / €1.

Excluding currency hedging impacts, an average rise in the dollar of $0.05 against the euro, taking the parity from $1.40/€1 to $1.35/€1, would mechanically increase revenues by around €2 million and income from operations by around €1 million. Conversely, a fall in the dollar of $0.05 would decrease revenues and income from operations by the same amounts.

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).

Derivative Financial Instruments

Forward sales intended to cover US dollar and Japanese yen cash streams for the period April 1 to December 31, 2009 amount to $19.4 million and ¥425 million respectively. These derivative financial instruments are carried at fair value as computed by reference to the forward rates applying at the balance sheet date. The figure is positive at €1 million at March 31, 2009 as a result of the depreciation of these two currencies against the euro between the time of taking effect (average hedged rate) and March 31, 2009. These hedges are considered to be effective and are therefore recognized in full in shareholders' equity.

Exchange risk hedging instruments at March 31, 2009 are comprised of forward sales or purchases of foreign currencies (mainly U.S. dollars, Canadian dollars, Japanese yen, and British pounds) for a net total equivalent value (sales minus purchases) of €24.1 million.

12. EARNINGS PER SHARE

Net earnings per share on basic capital are calculated by dividing net income attributable to shareholders by the weighted-average number of shares outstanding during the period, excluding treasury shares.

Net earnings per share on diluted capital are calculated by dividing net income attributable to shareholders by the weighted-average number of shares comprising the basic capital, plus stock options that could have been exercised considering the average market price of the shares during the period. Only options with an exercise price below the said average share price are included in the calculation of the number of shares representing the theoretical capital.

The exercise price of all of the options was below the stock market price. Consequently, the number of shares used to compute diluted earnings per share is identical to the number used to compute basic earnings. Net earnings per share based on diluted earnings are therefore identical to basic earnings.