MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS FOR THE THIRD QUARTER AND FIRST NINE MONTHS OF 2009

To all Shareholders,

We report below on the Lectra group's business activity for the third quarter and first nine months of 2009, ending September 30. To make the discussion of revenues and earnings as pertinent 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 Q3 2009

With an average parity of $1.43/€1, the U.S. dollar was up 5% compared to the third quarter of 2008. This change mechanically increased the various revenue components by around 1%, and had a negligible impact on income from operations at actual exchange rates compared to like-for-like figures.

Orders Remain Persistently Weak

Business conditions remained persistently weak in the third quarter. There was continuing uncertainty, and visibility was again limited for many customer firms. In these conditions, customers continued to cut costs and to freeze or postpone investment decisions.

Although a few positive signs emerged in September, they were too isolated for any conclusion to be drawn as to business trends for the coming quarters.

Lectra's sales activity was again sluggish overall, with orders for new software licenses and CAD/CAM equipment amounting to €11.3 million. However, this figure is slightly higher than for the first two quarters of 2009 (€10.4 million and €10.6 million respectively). Orders were down 26% overall compared to Q3 2008. Orders for new software licenses dropped 24%, and those for CAD/CAM equipment were down 28%. While the decline is smaller than for the first half (–52%), it should be pointed out that orders for Q3 2008, already reflecting the increasing impact of the crisis, were down 34% relative to the same period in 2007, while those for the first half of 2008 were down 22% relative to H1 2007.

At the same time, sales of spare parts and consumables registered a smaller decline (–16%) relative to Q3 2008 than the 24% fall registered in the first half, due to increased production activity among certain customers. The situation remains varied, however, depending on the customer, country and sector of activity.

Income from Operations and Net Income Are Slightly Positive

Q3 2009 revenues totaled €35.9 million overall. At actual exchange rates as well as like-for-like, they were down 26% relative to Q3 2008, which is close to the decline (–30% like-for-like) registered in the first half of 2009.

Revenues from new systems sales (€12.1 million) were down 47%. Recurring revenues (€23.8 million) decreased by 8%, due to a combination of a 4% decrease in revenues from recurring contracts (€16 million) and a 16% decrease in revenues from spare parts and consumables (€7.4 million).

Revenues from new systems sales, as well as their decline relative to 2008, were again fairly close to the levels recorded for the first two quarters of the year. Concerning recurring revenues, while the decline in revenues from recurring contracts grew relative to 2008 (from –1% in Q2 to –4% in Q3), notably due to plant closures and partial or total cancelation of contracts by a substantial number of customers, there was a slight improvement in recurring revenues from spare parts and consumables.

Fixed overheads totaled €24.5 million, down €3.6 million (–13%) like-for-like, relative to Q3 2008. This drop, which was greater than those registered in Q1 (–6%) and Q2 (–12%), confirms the growing impact of cost-cutting measures implemented since the beginning of Q3 2008 and subsequently amplified. In particular, it reflects the impact of additional savings implemented as of April 2009. These measures have further lowered the company's breakeven point.

In its Management Discussion of financial statements for the first half of 2009, published on July 30, 2009, the company had expected a smaller third-quarter loss from operations than the Q2 loss (–€2.3 million), which had itself been smaller than for Q1 (–€3.2 million). The additional reduction in overheads, combined with the smaller decline in revenues from spare parts and consumables and a more favorable new systems sales mix (with software sales accounting for a greater share), has resulted in a small (€0.1 million) income from operations.

After including a currency translation gain of €0.6 million and a tax gain of €0.4 million, the company registered a net income of €0.1 million (compared to a net income of €1.2 million in Q3 2008). The net losses for Q1 and Q2 2009 were €3.2 million and €1.2 million.

Free cash flow was negative at —€1 million. Excluding the impact of (French) research tax credits (*crédit d'impôt recherche*) recognized for the period but not received (€1.4 million), free cash flow was positive at €0.4 million. There were no non-recurring disbursements in Q3 2009. In Q3 2008, free cash flow was negative at —€5.8 million after non-recurring disbursements of €0.4 million.

2. CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST NINE MONTHS OF 2009

With an average parity of $1.36/€1 for the first nine months of 2009, the U.S. dollar was up 11% compared to the first nine months of 2008. This change mechanically increased the various revenue components by 2% and income from operations by €0.8 million at actual exchange rates compared to like-for-like figures.

Sharp Decline in Orders for New Software Licenses and CAD/CAM Equipment

Sales activity was particularly weak in the first nine months of 2009, within seriously hostile and uncertain macroeconomic conditions.

Overall, orders for new software licenses and CAD/CAM equipment amounted to €32.2 million, down 45% relative to the first nine months of 2008. The largest declines were recorded in Europe and in the Asia-Pacific region, where orders were down by nearly 50%. In the Americas, orders were down 23%

overall. Activity in the rest of the world (Northern Africa, South Africa, Turkey, the Middle East, etc.) declined by 31%.

The steepest fall (nearly 70%) was registered in the automotive market. Orders fell 37% in the fashion market and 31% in furniture; they fell 46% in other industries (industries which had been particularly robust in the first nine months of 2008). These market sectors represent 14%, 64%, 9%, and 13% of orders for new software licenses and CAD/CAM equipment respectively.

Significant Decrease in Revenues

Revenues for the first nine months of 2009 totaled €110.6 million, down 27% at actual exchange rates, compared to the first nine months of 2008. They were down 29% like-for-like.

The decline was 27% in Europe, 20% in the Americas, and 39% in the Asia-Pacific region. These three regions accounted for 58% (including 11% for France), 20%, and 16% of total revenues respectively. Revenues from the rest of the world, representing 6% of total revenues, fell 32%. Revenue trends differ from the order trends discussed above, mainly because recurring revenues account for a larger share of revenues in developed countries than in emerging countries.

Revenues from New Systems Sales

New software license revenues (€12.3 million) decreased by 46% overall and contributed 11% of total revenues (15% in 2008).

CAD/CAM equipment revenues (€20.5 million) were down 56% and accounted for 19% of total revenues (30% in 2008).

Revenues from training and consulting (€5.5 million) were down 13%.

Overall, revenues from new systems sales (€38.8 million) fell 49% and represented 35% of total revenues (49% in 2008).

Revenues from Recurring Contracts and Spare Parts & Consumables

Recurring revenues (€71.9 million) decreased by €6.8 million overall (–9%). As a result of weak new systems sales, they accounted for 65% of total revenues for the first nine months of 2009 (51% in 2008).

Revenues from recurring contracts—which represented 68% of recurring revenues and 44% of total revenues—were €48.9 million. This item was down 1% relative to the first nine months of 2008. The decline reflects a 1% increase in Q1, followed by a fall of 1% in Q2 and 4% in Q3, relative to the corresponding quarters in 2008. The decline has, however, been contained, despite weak sales of new systems and high cancellation rates as direct consequences of some customers having reduced or halted their activity or cut 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 (€22.6 million) were up 2% and represented 20% of total revenues;
- Revenues from CAD/CAM equipment maintenance contracts and from subscription contracts to Lectra’s five International Call Centers decreased by 4% to €26.4 million and represented 24% of total revenues.

Meanwhile, revenues from spare parts and consumables (€21.7 million) fell by 22%. This revenue component fell (–19%) for the first time in Q4 2008, after several years of uninterrupted and sustained growth.

Given the unprecedented scale of the decrease in revenues from new systems sales, recurring revenues, despite their unusual decline, 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

Because revenues for the first nine months of 2009 were less than orders booked in the period, the order backlog for new software licenses and CAD/CAM equipment at September 30, 2009 (€9.6 million), is up by €1.5 million relative to June 30, 2009 (€8.1 million), and by €0.5 million relative to December 31, 2008 (€9.1 million). The order backlog comprises €6.3 million for shipment in the fourth quarter of 2009 and €3.3 million in 2010.

Gross Margin Improves

The overall gross margin worked out to 71.3%.

Like-for-like, it came to 70.8%, up 5.1 percentage points relative to the first nine months of 2008 (65.7%).

This positive change confirms that sale prices are holding up well, despite increased competitive pressure in the current economic crisis. Margins on each product line are generally stable or up slightly.

The improvement also stems from the greater share of new software licenses in new systems sales and of recurring revenues in total revenues. Gross margins on recurring revenues on these items tend to be higher than on all other revenue categories.

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.

Significant Drop in Overhead Costs

Total overhead costs were €84.3 million, down €11.5 million (–12%) compared to the first nine months of 2008. They break down as follows:

- €80.8 million in fixed overheads costs and allowances, down €9.1 million (–10%) thanks to the stringent cost-cutting measures implemented as early as the third quarter of 2008 and reinforced in April 2009;
- €3.6 million in variable costs (–41%).

Despite the economic crisis, the company has continued to invest heavily in research and development. R&D 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, R&D costs amounted to €11.8 million and represented 10.7% of revenues (compared to €14 million and 9.3% in the first nine months of 2008). Net R&D costs after deduction of the research tax credit and grants amounted to €6.5 million, versus €8.0 million in 2008.

Negative Income from Operations and Net Income

Income from operations was negative at —€5.4 million. On a like-for-like basis, the loss from operations was €6.2 million, down €11.3 million relative to the income from operations of €5.1 million in the first nine months of 2008.

The operating margin was a negative 4.9%. On a like-for-like basis, it worked out to a negative 5.8% (versus a positive operating margin of 3.4% in the first nine months of 2008).

Net financial expenses represent a net charge of €2.6 million. A net foreign exchange gain of €1.1 million was recognized thanks to the U.S. dollar and Japanese yen hedges put in place in February 2009.

After an income tax gain of €2.7 million, net loss was €4.2 million (compared to the net income of €2.8 million in the first nine months of 2008).

Net earnings per share on basic and diluted capital showed a loss of €0.15, compared to positive earnings of €0.10 per share in the first nine months of 2008.

Free Cash Flow Highly Positive

Free cash flow before non-recurring items was positive at €7.4 million (–€5.9 million in the first nine months of 2008). Free cash flow benefited from the advance repayment in Q1 2009 of €14.1 million corresponding to the research tax credits 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. On the other hand, €4.1 million has been recognized but not yet received, corresponding to the research tax credit for the first half of 2009.

After €0.1 million in non-recurring expenses, free cash flow was positive at €7.3 million (compared with a negative €7.5 million in 2008 after €1.6 million in non-recurring charges).

Excluding the impact of the research tax credits (the net effect of which has been to reduce the working capital requirement by €10 million), free cash flow was negative at –€2.7 million, while the loss before tax was €7 million. The most significant metric for comparison of free cash flow performance is with profit (loss) before tax, since no actual revenue is recognized in respect of the tax gain for the period. This is a satisfactory performance in the circumstances and results from a negative cash flow from operations of €1.8 million. This figure includes a €0.9 million reduction in working capital requirement, excluding the impact of research tax credits—inventories in particular declined once again to €22.3 million at September 30, 2009, versus €28.6 million at December 31, 2008, with an offsetting decline in accounts payable—, and capital expenditures of €1.8 million.

Balance Sheet Structure

At September 30, 2009, consolidated shareholders' equity amounted to €24.4 million (€28.6 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., €1.5 million (€1.5 million at December 31, 2008).

Cash and cash equivalents totaled €9.1 million (€10.2 million at December 31, 2008).

Financial borrowings totaled €58.6 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;
- €8.6 million corresponds to the use of cash credit facilities (€16.9 million at December 31, 2008);
- €2 million corresponds to interest-free repayable advances to finance research and development programs.

Net financial borrowings consequently totaled €49.5 million (€56.4 million at December 31, 2008).

The company has given an undertaking to the banks regarding the medium-term loan of €48 million, to comply with certain financial ratios at December 31 of each year (*see chapter 10.1 of the notes to this report*). At the date of this report, the company anticipates that these ratios will probably not be respected at December 31, 2009, and has recently contacted the lending banks to engage discussions with a view to reaching terms whereby the latter would agree to waive these covenants.

Taking into account available cash and cash equivalents and unused confirmed cash credit facilities, total liquidity available to the company at the date of this report amounted to €21,1 million on the basis of the financial statements at September 30, 2009 *(see chapter 10.2 of the notes to this report)*.

Developments Relating to the Pending Arbitration

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 8 of the notes to this report)*.

On October 23, 2009, the Chairman of the arbitral tribunal informed the parties that its award, after having been reviewed and approved by the ICC Court, in accordance with the ICC rules, had been signed by the arbitrators and sent to the ICC Secretariat. He has since stated that the award is expected to be notified to the parties by the ICC Secretariat by the end of October. The arbitral tribunal had previously indicated that the award would address all extant issues, including legal and arbitration costs.

The full amount of legal fees and other costs incurred in this procedure having been paid in full, the impact of the award on the company's cash position is expected to be close to the amount that might be awarded to Lectra.

3. SHARE CAPITAL – OWNERSHIP – SHARE PRICE PERFORMANCE

Change in Share Capital

At September 30, 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.

On September 24, 2009, Insinger de Beaufort Asset Management N.V. (Netherlands), acting on behalf of investment funds managed by it, reported having reduced its shareholding and voting rights below the 10% statutory reporting thresholds, and held 9.96% of the capital and 9.79% of the voting rights at that date.

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

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 voting rights;
- Société Financière de l'Echiquier (France) which holds 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;
- Insinger de Beaufort AM N.V. (Netherlands), which holds more than 5% (but less than 10%) 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.

Finally, the company holds 1.5% of its own shares in treasury shares, solely within the framework of the Liquidity Agreement with SG Securities.

Share Price Performance and Trading Volumes

The company's share price at September 30, 2009, was €2.43, down 25% 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 up 18% and 42% respectively over the same period.

This sharp drop occurred in narrow trading volumes: according to Euronext figures, 2.1 million shares were traded (–9%), and the volume of capital traded was €4.7 million (–48%), compared to the same period in 2008.

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

4. POST-CLOSING EVENTS

No significant event has occurred since September 30, 2009.

5. FINANCIAL CALENDAR

Financial results for Q4 and full-year 2009 will be published on February 11, 2010, after close of trading on Euronext Paris.

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 would be a difficult year for Lectra, as for all companies worldwide, and opted not to formulate any estimates regarding its outlook for 2009, given the total lack of visibility.

At the time of publication of its Q1 and Q2 2009 financial statements on April 29 and July 30, the company stated that macroeconomic conditions remained unchanged and that the current climate called for the utmost vigilance. It expected to see persistently gloomy economic conditions, with continuing weak orders for new software licenses and CAD/CAM equipment over the coming quarters, with no possibility of quantifying its estimates.

Q3 2009 sales activity and results confirm these expectations.

On July 30, the company indicated that it expected a smaller loss from operations in Q3 2009 than that registered in Q1 and Q2 2009, and that it anticipated income from operations to approach breakeven in Q4 2009. If these conditions persist, the decline over the year could reach 35% to 40% relative to 2008, representing a 55% to 60% decline relative to 2007, and a fall of between 8% and 10% in recurring revenues for the year.

At the date of this report, the company confirms these expectations for the year regarding the decline in orders for new systems and recurring revenues. However, a larger than expected fall in overhead costs, together with improving gross margins and a better sales mix have further lowered the breakeven point and enabled the company to post a slightly positive income from operations and net income for the third quarter of 2009. Fourth-quarter income from operations and net income should be close to breakeven or slightly positive.

In early February, the company hedged approximately 70% of its estimated exposure to the dollar for 2009 through monthly forward dollar sales at an average parity of $1.30/€1.

Finally, with the benefit of the early receipt of research tax credits in Q1 2009 and a substantial reduction in inventory, free cash flow should remain highly positive in 2009.

The Board of Directors

October 28, 2009

Company Certification of the Third Quarter and First Nine Months of 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 report on operations for the third quarter and first nine months of 2009 presents a true and sincere view of the significant events that occurred during the first nine months of the fiscal year and their impact on the financial statements, and a description of the main risks and uncertainties for the remaining three months of the fiscal year.

Paris, October 28, 2009

Daniel Harari	Jérôme Viala
Chief Executive Officer	Chief Financial Officer

Consolidated balance sheet

ASSETS (in thousands of euros)	As at September 30, 2009	As at December 31, 2008 restated [1]	As at September 30, 2008 restated [1]
Goodwill	36,270	36,563	36,566
Other intangible assets	5,973	5,887	5,908
Property, plant and equipment	13,101	14,420	14,857
Non-current financial assets	1,401	1,656	1,758
Deferred income tax	15,416	12,097	11,224
Total non-current assets	72,161	70,623	70,313
Inventories	22,268	28,614	29,791
Trade accounts receivable	29,212	39,997	37,769
Current income tax receivable	5,382	15,207	14,141
Other current assets	10,664	8,698	11,357
Cash and cash equivalents	9,064	10,175	9,558
Total current assets	76,590	102,691	102,616
Total assets	148,751	173,314	172,929

EQUITY AND LIABILITIES	As at September 30, 2009	As at December 31, 2008 restated [1]	As at September 30, 2008 restated [1]
Share capital	27,641	27,641	27,641
Share premium	1,033	1,033	1,033
Treasury shares	(1,541)	(1,498)	(1,377)
Currency translation adjustment	(8,420)	(8,043)	(8,284)
Retained earnings and net income	5,673	9,471	10,144
Total equity	24,385	28,604	29,157
Retirement benefit obligations	3,777	3,746	3,685
Borrowings, non-current portion	45,936	49,433	49,546
Total non-current liabilities	49,713	53,179	53,231
Trade and other payables	31,343	39,490	39,283
Deferred revenues	28,345	32,310	29,919
Current income tax liabilities	332	654	740
Borrowings	12,635	17,096	18,844
Provisions for other liabilities and charges	1,998	1,981	1,756
Total current liabilities	74,653	91,531	90,542
Total equity and liabilities	148,751	173,314	172,929

(1) In accordance with IAS 8, the impacts of the application of IFRS 8 are restated at September 30, 2008 and December 31, 2008 in the consolidated balance sheet (see Chapter 2 in the notes to the consolidated financial statements).

Consolidated income statement

(in thousands of euros)	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2009	Three Months Ended September 30, 2008	Nine Months Ended September 30, 2008
Revenues	35,857	110,634	48,131	150,899
Cost of goods sold	(10,017)	(31,721)	(16,438)	(51,745)
Gross profit	25,840	78,913	31,693	99,154
Research and development	(1,838)	(6,544)	(2,168)	(8,009)
Selling, general and administrative expenses	(23,934)	(77,786)	(27,358)	(86,055)
Income (loss) from operations	68	(5,417)	2,167	5,090
Financial income	(36)	104	141	244
Financial expense	(816)	(2,731)	(1,074)	(3,030)
Foreign exchange income (loss)	554	1,077	66	(321)
Income (loss) before tax	(230)	(6,967)	1,300	1,983
Income tax	356	2,734	(62)	807
Net income (loss)	126	(4,233)	1,238	2,790

(in euros)				
Earnings per share				
- basic	0.00	(0.15)	0.04	0.10
- diluted	0.00	(0.15)	0.04	0.10
Shares used in calculating earnings per share				
- basic	28,067,148	28,084,422	28,199,804	28,266,334
- diluted	28,067,148	28,084,422	28,199,804	28,266,334

Statement of comprehensive income

(in thousands of euros)	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2009	Three Months Ended September 30, 2008	Nine Months Ended September 30, 2008
Net income (loss)	126	(4,233)	1,238	2,790
Currency translation adjustment	12	(377)	428	435
Efficient part of the fair value variation of currency hedges	(448)	762	-	-
Efficient part of the fair value variation of interest-rate swap	47	(346)	(758)	118
Tax effect on the comprehensive income items	133	(139)	253	(39)
Comprehensive income (loss)	(129)	(4,332)	1,161	3,304

Consolidated statement of cash flows

(in thousands of euros)	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008
I - OPERATING ACTIVITIES		
Net income (loss)	(4,233)	2,790
Depreciation and amortization	5,834	5,435
Non-cash operating expenses	172	14
Loss (profit) on sale of fixed assets	(12)	(15)
Changes in deferred income taxes, net value	(3,529)	(1,786)
Changes in inventories	5,277	(1,762)
Changes in trade accounts receivable	5,532	9,535
Changes in other current assets and liabilities	64	(18,641)
Net cash provided by (used in) operating activities	9,105	(4,430)
II - INVESTING ACTIVITIES		
Purchases of intangible assets	(1,194)	(1,175)
Purchases of property, plant and equipment	(784)	(1,922)
Proceeds from sales of intangible assets and property, plant and equipment	151	7
Purchases of financial assets	(296)	(1,123)
Proceeds from sales of financial assets	301	1,140
Net cash provided by (used in) investing activities	(1,822)	(3,073)
III - FINANCING ACTIVITIES		
Proceeds from issuance of ordinary shares	-	86
Purchases of treasury shares	(243)	(1,031)
Sales of treasury shares	85	144
Proceeds from borrowings	400	800
Repayments of borrowings	(74)	(74)
Net cash provided by (used in) financing activities	168	(75)
Increase (decrease) in cash and cash equivalents	7,451	(7,578)
Cash and cash equivalents at the openning	(6,725)	(1,715)
Increase (decrease) in cash and cash equivalents	7,451	(7,578)
Effect of changes in foreign exchange rates	(262)	128
Cash and cash equivalents at the closing	464	(9,165)
Free cash flow before non-recurring items	7,423	(5,949)
Non-recurring items of the free cash flow	(140)	(1,554)
Free cash flow	7,283	(7,503)
Income tax paid [1]	703	289
Interest paid	2,394	2,675

(1) This amount does not include repayments of tax credit for research

Consolidated statement of changes in equity

(in thousands of euros, except for par value per share expressed in euros)	Share capital							
	Number of shares	Par value per share	Total par value	Share premium	Treasury shares	Currency translation adjustment	Consolidated reserves and net income	Equity
Balances at January 1, 2008	28,476,899	1.50	42,715	976	(581)	(8,719)	(8,092)	26,299
Net income							*2,790*	*2,790*
Other comprehensive income						*435*	*79*	*514*
Comprehensive income						435	2,869	3,304
Fair value of stock options							324	324
Issuance of ordinary shares	18,615		28	57				86
Sale (purchase) of treasury shares					(796)			(796)
Profit (loss) on treasury shares							(61)	(61)
Reduction in share capital		(0.53)	(15,103)				15,103	-
Other changes							2	2
Balances at September 30, 2008	28,495,514	0.97	27,641	1,033	(1,377)	(8,284)	10,144	29,157
Balances at January 1, 2009	28,495,514	0.97	27,641	1,033	(1,498)	(8,043)	9,471	28,604
Net loss							*(4,233)*	*(4,233)*
Other comprehensive income (loss)						*(377)*	*277*	*(100)*
Comprehensive loss						(377)	(3,955)	(4,332)
Issuance of ordinary shares							233	233
Sale (purchase) of treasury shares					(44)			(44)
Profit (loss) on treasury shares							(76)	(76)
Balances at September 30, 2009	28,495,514	0.97	27,641	1,033	(1,541)	(8,420)	5,673	24,385

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT SEPTEMBER 30, 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, personal 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 1,450 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 870 employees dedicated to marketing, sales and services. It employs 210 engineers dedicated to R&D, and 155 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 September 30, 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).

The Financial Statements at September 30, 2009 have been prepared in accordance with the same rules and methods as those applied in the preparation of the 2008 financial statements, with the exception of the following items.

The Group applies the following standards adopted by the European Union and applicable to fiscal years starting January 1, 2009 and after:

- IAS 1 revised — Presentation of Financial Statements ;
- IFRS 8 — Operating Segments.

The application of the revised IAS 1 standard has led the Group to change the presentation of its financial statements with the introduction of a statement of comprehensive income which gathers all the components of profit or loss, whether they are recognized in the income statement or not. The Group has chosen to present its comprehensive income in two separate statements: the consolidated income statement and the statement of comprehensive income.

IFRS 8 (Operating Segments) has been applied for the first time as of January 1, 2009 to replace IAS 14. The application of this standard, which led to significant changes for the operating segment information—especially on the choice of the segments presented—, is disclosed in note 6 below.

The first-time application of IFRS 8 also led to a modification of the goodwill allocation to the different cash-generating units that the Group is made of. The existing goodwill as of January 1, 2008 resulting from the several acquisitions made by the Group between 1998 and 2005, were allocated to the operating segments defined under IFRS 8.

As a result of the retroactive application of IFRS 8, goodwill has been revalued by €0.191 million at September 30, 2008 and €0.486 million at December 31, 2008 respectively, reflecting currency translation adjustments resulting from the new allocation of goodwill among the different operating segments. An offsetting item in the same amount was added to the currency translation adjustments in total equity. In accordance with IAS 8, the financial statements are restated for these impacts at September 30, 2008 and December 31, 2008.

The Group has not adopted prior to their mandatory adoption date any standards or interpretations whose application is not required for fiscal years starting January 1, 2009.

Comparability of the Group's interim and annual accounts may be affected by the slightly seasonal nature of the Group's business, which mostly achieves a higher level of revenues during the fourth quarter of the year. Moreover, overhead costs are reduced during the third quarter due to the summer holidays in France and in European subsidiaries. These two items have a positive impact on the income from operations of those quarters.

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 nature of the Group's business model. 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.

In the context of the application of IFRS 8 as of January 1, 2008, the Group changed the allocation of the goodwill to the different cash-generating units that the Group is made of. As of June 30, 2009, the Group assessed whether there was an indication that the goodwill may be impaired taking into account this reallocation as well as the business perspectives at that date. The estimates of the value in use of the goodwill as they were made did not lead to any adjustment of value for the half-year review.

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 September 30, 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 September 30, 2009, their combined revenues totaled €1 million, and their combined assets in their balance sheet totaled €1.6 million. They had no non-Group financial debt.

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

	Three Months Ended September 30				
	2009		2008	Changes 2009/2008	
(in thousands of euros)	Actual	At 2008 exchange rates	Actual	Actual	Like-for-like
Revenues	35,857	35,488	48,131	-26%	-26%
Cost of goods sold	(10,017)	(9,953)	(16,438)	-39%	-39%
Gross profit	25,840	25,535	31,693	-18%	-19%
(in % of revenues)	72.1%	72.0%	65.8%	+6.3 points	+6.2 points
Research and development	(1,838)	(1,838)	(2,168)	-15%	-15%
Selling, general and administrative expenses	(23,934)	(23,652)	(27,358)	-13%	-14%
Income (loss) from operations	68	45	2,167	n/s	n/s
(in % of revenues)	0.2%	0.1%	4.5%	-4.3 points	-4.4 points
Profit (loss) before tax	(230)	(253)	1,300	n/s	n/s
Income tax	356	n/a	(62)	n/s	n/a
Net income (loss)	126	n/a	1,238	n/s	n/a

	Nine Months Ended September 30				
	2009		2008	Changes 2009/2008	
(in thousands of euros)	Actual	At 2008 exchange rates	Actual	Actual	Like-for-like
Revenues	110,634	107,827	150,899	-27%	-29%
Cost of goods sold	(31,721)	(31,458)	(51,745)	-39%	-39%
Gross profit	78,913	76,369	99,154	-20%	-23%
(in % of revenues)	71.3%	70.8%	65.7%	+5.6 points	+5.1 points
Research and development	(6,544)	(6,544)	(8,009)	-18%	-18%
Selling, general and administrative expenses	(77,786)	(76,056)	(86,055)	-10%	-12%
Income (loss) from operations	(5,417)	(6,231)	5,090	n/s	n/s
(in % of revenues)	-4.9%	-5.8%	3.4%	-8.3 points	-9.2 points
Profit (loss) before tax	(6,967)	(7,781)	1,983	n/s	n/s
Income tax	2,734	n/a	807	n/s	n/a
Net income (loss)	(4,233)	n/a	2,790	n/s	n/a

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

5.1 Q3 2009

Revenues by geographic region

(in thousands of euros)	2009 Actual	2009 %	2009 At 2008 exchange rates	2008 Actual	2008 %	Changes 2009/2008 Actual	Changes 2009/2008 Like-for-like
Europe, of which :	21,350	60%	21,496	27,828	58%	-23%	-23%
- France	4,241	12%	4,241	5,352	11%	-21%	-21%
Americas	6,934	19%	6,755	8,829	18%	-21%	-23%
Asia-Pacific	5,847	16%	5,509	8,510	18%	-31%	-35%
Other countries	1,726	5%	1,728	2,964	6%	-42%	-42%
Total	35,857	100%	35,488	48,131	100%	-26%	-26%

Three Months Ended September 30

Revenues by product line

(in thousands of euros)	2009 Actual	2009 %	2009 At 2008 exchange rates	2008 Actual	2008 %	Changes 2009/2008 Actual	Changes 2009/2008 Like-for-like
Software, of which :	11,062	31%	11,003	14,082	29%	-21%	-22%
- New licenses	3,720	10%	3,706	6,704	14%	-45%	-45%
- Software evolution contracts	7,342	20%	7,297	7,378	15%	0%	-1%
CAD/CAM equipment	6,297	18%	6,208	13,654	28%	-54%	-55%
Hardware maintenance and on-line services	9,056	25%	8,956	9,506	20%	-5%	-6%
Spare parts and consumables	7,383	21%	7,265	8,689	18%	-15%	-16%
Training and consulting services	1,867	5%	1,867	2,020	4%	-8%	-8%
Miscellaneous	192	1%	189	180	0%	+6%	+5%
Total	35,857	100%	35,488	48,131	100%	-26%	-26%

Three Months Ended September 30

Breakdown of revenues between new systems sales and recurring revenues

(in thousands of euros)	2009 Actual	2009 %	2009 At 2008 exchange rates	2008 Actual	2008 %	Changes 2009/2008 Actual	Changes 2009/2008 Like-for-like
Revenues from new systems sales(1)	12,076	34%	11,970	22,558	47%	-46%	-47%
Recurring revenues(2), of which :	23,781	66%	23,518	25,573	53%	-7%	-8%
- Recurring contracts	15,983	45%	15,849	16,453	34%	-3%	-4%
- Other recurring revenues on the installed base	7,798	22%	7,669	9,120	19%	-14%	-16%
Total	35,857	100%	35,488	48,131	100%	-26%	-26%

Three Months Ended September 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.

5.2 First nine months of 2009

Revenues by geographic region

(in thousands of euros)	Nine Months Ended September 30						
	2009			2008		Changes 2009/2008	
	Actual	%	At 2008 exchange rates	Actual	%	Actual	Like-for-like
Europe, of which :	63,726	58%	64,298	88,472	59%	-28%	-27%
- France	11,852	11%	11,852	14,977	10%	-21%	-21%
Americas	22,310	20%	20,826	26,157	17%	-15%	-20%
Asia-Pacific	18,144	16%	16,194	26,714	18%	-32%	-39%
Other countries	6,454	6%	6,509	9,556	6%	-32%	-32%
Total	110,634	100%	107,827	150,899	100%	-27%	-29%

Revenues by product line

(in thousands of euros)	Nine Months Ended September 30						
	2009			2008		Changes 2009/2008	
	Actual	%	At 2008 exchange rates	Actual	%	Actual	Like-for-like
Software, of which :	34,810	31%	34,112	43,876	29%	-21%	-22%
- New licenses	12,256	11%	11,946	22,178	15%	-45%	-46%
- Software evolution contracts	22,554	20%	22,166	21,698	14%	+4%	+2%
CAD/CAM equipment	20,518	19%	19,677	44,724	30%	-54%	-56%
Hardware maintenance and on-line services	27,577	25%	26,931	28,240	19%	-2%	-5%
Spare parts and consumables	21,748	20%	21,210	27,153	18%	-20%	-22%
Training and consulting services	5,506	5%	5,431	6,210	4%	-11%	-13%
Miscellaneous	475	0%	466	696	0%	-32%	-33%
Total	110,634	100%	107,827	150,899	100%	-27%	-29%

Breakdown of revenues between new systems sales and recurring revenues

(in thousands of euros)	Nine Months Ended September 30						
	2009			2008		Changes 2009/2008	
	Actual	%	At 2008 exchange rates	Actual	%	Actual	Like-for-like
Revenues from new systems sales(1)	38,755	35%	37,520	73,808	49%	-47%	-49%
Recurring revenues(2), of which :	71,879	65%	70,307	77,091	51%	-7%	-9%
- Recurring contracts	48,927	44%	47,926	48,437	32%	+1%	-1%
- Other recurring revenues on the installed base	22,952	21%	22,381	28,654	19%	-20%	-22%
Total	110,634	100%	107,827	150,899	100%	-27%	-29%

(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.

Breakdown of revenues from new systems sales by market sector

(in thousands of euros)	Nine Months Ended September 30						
	2009			2008		Changes 2009/2008	
	Actual	%	At 2008 exchange rates	Actual	%	Actual	Like-for-like
Fashion (apparel, accessories, footwear)	25,222	65%	24,547	44,234	60%	-43%	-45%
Automotive	4,842	12%	4,452	14,427	20%	-66%	-69%
Furniture	3,841	10%	3,940	5,822	8%	-34%	-32%
Other industries	4,850	13%	4,581	9,325	13%	-48%	-51%
Total	38,755	100%	37,520	73,808	100%	-47%	-49%

6. OPERATING SEGMENT INFORMATION

Operating segment reporting is based directly on the company's performance tracking and review systems. The operating segments presented below are identical to those covered by the information regularly communicated to the Executive Committee, in its capacity as the company's "chief operating decision maker".

Operating segments refer primarily to the marketing regions in the sense of the regions whose performance is reviewed by the Executive Committee. The regions concerned are: the Americas, Europe, Asia-Pacific, and the Rest of the World, where the company operates chiefly in North Africa, South Africa, Turkey, Israel, and the Middle East. These geographic regions are involved in sales and the provision of services to their clients. They do not perform any industrial activities or research and development. They draw on centralized competencies and a wide array of functions that are pooled among all of the regions, including marketing, communication, logistics, procurement, finance, legal affairs, human resources, information systems, etc. All of these cross-divisional activities are reported as an additional operating segment referred to here as the "Corporate" segment.

Performance is measured by the segment's income from operations, excluding non-recurring items and impairment of assets, if any. Marketing regions derive their revenues from external clients; all inter-segment billings are excluded from this item. The gross margin rates used to determine operating performance are identical for all regions. They are computed for each product line and include value added supplied by the Corporate segment. Consequently, for products or services supplied in full or in part by the Corporate segment, a percentage of (consolidated) gross margin is retained in the income computed for the Corporate segment sufficient to cover its costs, most of which are fixed. Because the Corporate segment's revenues consist solely of amounts billed to the regions and its general overheads are mainly fixed costs, its income from operations therefore depends mainly on the volume of business generated by these regions. Total assets reported for each operating segment correspond to the gross assets of the segment less deferred income, in order to account for the fact that the method of billing and collection for recurring contracts may lead to an increase in accounts receivable, with an offsetting entry in deferred income. This method of calculation yields a fairer view of each segment's reported assets.

Income from operations, which is obtained by adding together the income from operations for each segment, is identical to consolidated income from operations shown in the financial statements and therefore does not require reconciliation.

Nine Months Ended September 30, 2008 (in thousands of euros)	Europe	Americas	Asia-Pacific	Other countries	Corporate segment	Total
Revenues	88,474	26,156	26,714	9,555	-	150,899
Income from operations	8,660	(2,397)	(1,505)	942	(610)	5,090
Segment assets	71,755	20,830	12,226	6,446	61,672	172,929
- of which goodwill	*28,899*	*6,062*	*1,237*	*368*	-	*36,566*
Net segment assets (1)	53,415	14,387	8,597	4,939	61,672	143,010

Nine Months Ended September 30, 2009 (in thousands of euros)	Europe	Americas	Asia-Pacific	Other countries	Corporate segment	Total
Revenues	63,726	22,310	18,144	6,454	-	110,634
Income from operations	3,359	(1,252)	(2,332)	648	(5,840)	(5,417)
Segment assets	66,550	16,886	10,183	4,256	50,876	148,751
- of which goodwill	*28,700*	*5,922*	*1,280*	*368*	-	*36,270*
Net segment assets (1)	48,728	11,190	6,836	2,776	50,876	120,406

(1) Net segment assets are reported net of deferred revenues.

The deterioration in the loss from operations in the Corporate segment is due to the sharp decline in regional segments' revenues during the period.

7. CONSOLIDATED CASH FLOW SUMMARY

(in millions of euros)	Cash & Cash equivalents	Financial Debt	Net Cash (+)/ Net Debt (-)
Free cash flow before non-recurring items	7.4	-	7.4
Non-recurring items included in free cash flow	(0.1)	-	(0.1)
Sale and purchase of treasury shares(1)	(0.2)	-	(0.2)
Change in borrowings	0.3	(0.3)	0.0
Impact of currency variations – other	(0.2)	-	(0.2)
Change in cash position for the period	7.2	(0.3)	6.9
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 September 30, 2009 (balance sheet)	9.1	(58.6)	(49.5)
Use of cash credit facilities	(8.6)	8.6	-
Situation at September 30, 2009 (cash flow statement)	0.5	(50.0)	(49.5)

(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 and April 30, 2009 General Shareholders Meetings.

Free cash flow at September 30, 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. A research tax credit of €4.1 million for the first nine months of 2009 has been recognized but not yet received. Excluding the impact of research tax credits, free cash flow for the period amounted to a negative €2.7 million.

The working capital requirement decreased by €10.9 million, mainly due to the following items:

- €5.3 million corresponds to reduction in inventories and work-in progress;
- €5.5 million corresponds to reduction in accounts receivable;
- €0.1 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;
  - –€4.1 million for the 2009 research tax credit, recognized and not yet received;
  - –€8.1 million corresponds to the reduction in payables to suppliers;
  - –€1.8 million corresponds to the reduction in other current assets and liabilities.

8. 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 July 13, 2009, the Chairman of the arbitral tribunal informed the parties that the arbitral tribunal has declared the proceedings closed as at July 14, 2009 and that it has concluded its final deliberations. The Chairman further indicated that the arbitral tribunal intends to submit its draft award to the ICC Court for approval by the end of July. The arbitral tribunal has previously indicated that 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 notified to the parties. The Chairman has also advised that the ICC Court may take some time to review and approve the award.

On October 23, 2009, the Chairman of the arbitral tribunal informed the parties that its award, after having been reviewed and approved by the ICC Court, in accordance with the ICC rules, had been signed by the arbitrators and sent to the ICC Secretariat. He stated, since, that the award is expected to be notified to the parties by the ICC Secretariat by the end of October. The arbitral tribunal had previously indicated that the award will address all extant issues, including legal and arbitration costs.

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 the first nine months of 2009 is not material. The €5.6 million figure already recognized in current assets in the balance sheet at December 31, 2008, amounted to €5.7 million at September 30, 2009. Total fees and costs since the beginning of the procedure amount to €9.9 million (of which €4.2 million were expensed in the financial statements for 2005 and 2006). 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. The aggregate amount of legal fees, expert fees, and procedural and other costs incurred by Lectra having been paid in full, the impact of the award on the company's cash position would be close to the amount that might be awarded to Lectra.

9. TREASURY SHARES

Under the Liquidity Agreement administered by SG Securities (Paris), during the first nine months of 2009, the company purchased 104,553 shares and sold 35,829 shares at an average purchase price of €2.32 and €2.38, 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' Meetings on April 30, 2008 and April 30, 2009.

Consequently, at September 30, 2009, the company held 427,183 Lectra shares (or 1.5% of share capital) with an average purchase price of €3.61 entirely under the Liquidity Agreement.

10. BANK BORROWINGS AND LIQUIDITY

10.1 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

In light of the negative consequences of the highly degraded macro-economic environment since January 1, 2009, the company anticipates that the expected leverage and gearing ratios will probably not be respected

at December 31, 2009 and has recently contacted the lending banks with a view to reaching terms whereby the latter would agree to waive these covenants.

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 11 below)*. The total effective rate for 2009 is 6.18% (with a margin of 1.85%).

10.2 Liquidity

The table below summarizes the cash position, confirmed cash credit facilities available to the company, and its net debt, at September 30, 2009:

(in thousands of euros)	Limits	Utilizations	Available amounts
Confirmed cash credit facilities			
- until October 31, 2009	1,600	1,000	600
- until July 31, 2010	15,000	7,600	7,400
Total	16,600	8,600	8,000
Bank loan	48,000	48,000	-
Non-interest bearing repayable advances	1,971	1,971	-
Total financial debt	66,571	58,571	8,000
Cash and cash equivalents			9,064
Total	66,571	58,571	17,064

Moreover, in October the company completed discussions to renew the cash credit facilities expiring in 2009, before September 30, 2009. Consequently, at the date of this report, in addition to the €15 million worth of facilities expiring on July 31, 2010 it had access to €5.6 million in additional confirmed cash credit facilities expiring on April 30, 2011, including the facility of €1.6 million expiring on October 31, 2009 (*see table above*). Based on cash and cash equivalent available and credit facilities drawn at September 30, 2009, it has access to €21.1 million to cover its liquidity needs.

Finally, the French Government announced recently its intention to extend the early repayment of the research tax credit, one of the measures contained in its economic stimulus plan, into 2010, and to apply this measure to the research tax credit recognized by companies in respect of 2009. Lectra will book a receipt of around €5.5 million in the first quarter of 2010 as a result of this measure.

10.3 Borrowings and Financial Debt

Schedule of borrowings at September 30, 2009, by category and maturity:

	Short term	Long term		
(in thousands of euros)	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Interest-bearing bank loan	3,840	44,160	-	48,000
Interest-free repayable advances (1)	195	1,776	-	1,971
Cash facilities	8,600	-	-	8,600
Total	12,635	45,936	-	58,571

(1) The repayable adances correspond to public grants to finance research and development programs.

11. INTEREST-RATE HEDGING INSTRUMENTS

As stated in chapter 10 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 September 30, 2009 was a negative €2.6 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.

The fair value of these financial instruments is supplied by the counterparty banks.

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

In early February, the company hedged 70% of its estimated exposure to the dollar for 2009 through monthly forward-dollar sales at an average parity of $1.30/€1. At the same date it also hedged 70% of its estimated exposure to the Japanese yen at an average parity of ¥115 / € 1. In view of the low level of new systems sales activity, the hedges put in place at the beginning of the year currently cover nearly 100% of the company's real exposure to these two currencies for the year.

After appreciating in the early months of the year, the dollar has progressively weakened since the month of May. At the date of publication of this report, the euro/dollar parity was $1.48/€1.

Thanks to the hedges put in place, the adverse impact of the dollar's decline (and that of the yen) on income from operations for the first nine months of 2009 has been offset by a matching currency translation gain. This will again be the case in Q4 2009.

Continuing dollar weakness in 2010 would have two adverse consequences for Lectra, eroding its competitiveness (its main competitor being American), and mechanically affecting its activity and earnings.

Consequently, based on the level of activity registered in 2009, an average fall in the dollar of $0.05 against the euro would mechanically decrease annual revenues by around €1.6 million and income from operations by around €0.8 million. Conversely, a rise in the dollar of $0.05 would increase revenues and income from operations by the same amounts.

Derivative Financial Instruments

Forward sales intended to cover US dollar and Japanese yen cash streams for the period October 1 to December 31, 2009 amount to $6.4 million and ¥140 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 €0.8 million at September 30, 2009 as a result of the depreciation of these two currencies against the euro between the time of taking effect (average hedged rate) and September 30, 2009. These hedges are considered to be effective and are therefore recognized in full in equity.

Exchange risk hedging instruments at September 30, 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 €7.4 million.

13. 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.