MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS FOR THE FOURTH QUARTER AND FULL-YEAR 2009

To all Shareholders,

We report below on the Lectra group's business activity and consolidated financial statements for the fourth quarter and full-year ending December 31, 2009.

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

1. SUMMARY OF OPERATIONS FOR Q4 2009

With an average parity of $1.48/€1, the U.S. dollar was down 11% compared to the fourth quarter of 2008. This change mechanically decreased the various revenue components by between 2% and 3%, and income from operations by €0.7 million at actual exchange rates, compared to like-for-like figures.

Orders Recover Strongly

Q4 orders for new software licenses and CAD/CAM equipment were up 22% compared to Q4 2008, confirming the first positive signs noticed in September.

Global business conditions remained persistently weak, even though expectations of a recovery in activity and a return to growth strengthened over the quarter. Visibility remained limited for many customer firms, with lingering uncertainty, especially regarding the consequences of exit from the various government stimulus plans put in place.

Against this background, some customers have already resumed investments, in particular, several global leaders that signed sizable orders late in the year. However, most firms' finances have been seriously weakened over the past 18 months, and they have continued to defer their investment decisions pending confirmation of the economic recovery and a sustainable improvement in their own business activity.

Overall, orders for new software licenses and CAD/CAM equipment amounted to €17.8 million. This figure is distinctly higher than for the first three quarters of 2009 (€10.4, €10.6 and €11.3 million, respectively).

Orders were up 22% overall compared to Q4 2008 (those for new software licenses were up 1% and those for CAD/CAM equipment were up 35%) reflecting a genuine improvement relative to the 45% decline registered in the first nine months of the year. It should be pointed out that orders for Q4 2008, already reflecting the crisis, fell 48% relative to Q4 2007. As a result, orders for Q4 2009 were therefore still down 37% compared to Q4 2007. This sharp decline is evidence of the continuing effects of the crisis. However, the fall was less significant than in the first nine months of 2009 (the decline was 59% relative to 2007), which is encouraging.

Sales of spare parts and consumables also are back on the rise, up 5% relative to Q4 2008, versus a 22% decline for the first nine months of the year. While this performance should be viewed in light of the 17% drop in revenues in Q4 2008, relative to the same period in 2007—the first such fall in the company's history—the fact remains that the improvements registered in Q3 and Q4 2009 reflect a progressive return to output growth in Lectra's customer firms. As with orders for new systems, however, the situation varies according to company, country and sector of activity.

Income From Operations Before Non-Recurring Items Exceeds Expectations

Q4 2009 revenues totaled €42.6 million overall, down 7% relative to Q4 2008, like-for-like, and down 10% at actual exchange rates.

Revenues from new systems sales (€17.5 million) were down 13%. This decline, significantly smaller than that of the first three quarters of 2009, stems partly from a slight rebound in activity, and partly from the fact that in Q4 2008 the decline had reached its worst level of the year, at 39%, compared to 2007.

Recurring revenues (€25.1 million) decreased by 2%, mainly due to a combination of a 7% decrease in revenues from recurring contracts (€15.9 million) and a 5% increase in revenues from spare parts and consumables (€8.7 million).

Revenues from recurring contracts fell still further relative to 2008 (from –1% in Q2, to –4% in Q3, and –7% in Q4 2009, whereas they grew by 1% in the first quarter). This was due mainly to plant closures and partial or total cancelation of contracts by a substantial number of customers. Conversely, there was an improvement in revenues from spare parts and consumables, declining by 25%, 24%, and 16% respectively, in the first, second and third quarters of 2009, then growing 5% in the fourth quarter.

Fixed overheads costs, before non-recurring items, amounted to €25.4 million, a reduction of €4.2 million or 14%, relative to Q4 2008. This fall confirms the impact of cost-cutting measures initiated in July 2008, then reinforced, further lowering the company's breakeven point.

Income from operations before non-recurring items was positive at €2.6 million, which is distinctly better than the company anticipated on October 28, 2009. The corresponding operating margin was 6.2%. Like-for-like, income from operations before non-recurring items was €3.3 million, up by €1.4 million, relative to 2008.

Non-Recurring Expenses

In response to the persistent adverse impacts of the crisis in 2009 (especially the sharp drop in revenues) and the continuing uncertainty as to when it will end, and in anticipation of a progressive sales recovery, the company took further initiatives at the end of the year to reorganize and optimize its resources in order to improve its key operating ratios in 2010. These measures applied particularly to those subsidiaries that reported losses in 2009 and whose staff numbers and infrastructures no longer matched their current and short-term projected level of activity in their countries or region.

These initiatives add up to an aggregate non-recurring charge of €1.9 million, fully expensed in the Q4 2009 financial statements, and will further reduce the Group's fixed overhead costs by € 3.1 million in a full year.

Consequently, income from operations for Q4 2009, after accounting for non-recurring charges, amounted to a positive €0.7 million. There were no non-recurring items in Q4 2008.

After including a net financial expense of €1 million, a foreign exchange gain of €0.9 million, and a tax expense of €0.1 million, the company registered a positive net income of €0.6 million (compared to a net income of €0.4 million in Q4 2008).

Free cash flow before non-recurring disbursements was positive at €2.5 million. It came to €2 million after €0.5 million in non-recurring disbursements. Excluding the impact of the (French) research tax credit (*crédit d'impôt recherche*) recognized for the period but not received (€1.8 million), free cash flow was positive at €3.8 million. In Q4 2008, free cash flow was positive at €2.7 million (there were no non-recurring disbursements).

The International Arbitral Tribunal Awards Lectra €25.3 million

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

The international arbitral tribunal awarded Lectra €25.3 million in total.

This award has not been recognized in the 2009 financial statements, and the accounting methods applied to the arbitration procedure, as adopted at December 31, 2008, remain unchanged *(see chapter 3 below)*.

2. SUMMARY OF EVENTS AND PERFORMANCE IN 2009

With an average parity of $1.39/€1 for the full-year 2009, the U.S. dollar was up 6% compared to 2008. This change and that in other currency parities mechanically increased the various revenue components by around 1% and income from operations by €0.1 million at actual exchange rates compared to like-for-like figures. Consequently the impact of currency variations on the financial statements was immaterial.

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

Activity and financial results in 2009 bore the brunt of the unprecedented financial and economic crisis that has gripped the world over the past two years. In its financial report published on February 12, 2009, the Board of Directors stated that 2009 would be a difficult year for companies around the world, and that extreme vigilance was called for in the circumstances. Actual events turned out to be far worse than expected.

Many companies suffered a brutal deterioration in their situation, with revenues tumbling as economic activity decreased sharply. This forced them to cut costs, drastically in many cases, and to freeze all their investment decisions. Many had to close plants, and some went out of business.

The company was severely affected by its customers' difficulties and more generally by global macroeconomic conditions. Sales activity was particularly weak in this depressed and uncertain economy.

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

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

Orders were down 37% in Europe and 30% in the Asia-Pacific region. In the Americas, orders were down 5% overall. Activity in the rest of the world (Northern and South Africa, Turkey, the Middle East, etc.) declined by 39% overall.

The steepest fall (42%) was registered in the automotive market. Orders fell 26% in the fashion market and 32% in furniture. They fell 34% in other industries which had been particularly robust in 2008, buoyed, in particular, by the wind turbine market. These market sectors represent 18%, 62%, 7%, and 13% of orders for new software licenses and CAD/CAM equipment respectively.

Decrease in Revenues

Revenues ended the year down 23% at €153.2 million, at actual exchange rates as well as like-for-like relative to 2008.

Revenues from new systems sales fell by 41% relative to 2008, while recurring revenues declined by 7%. Revenues from spare parts and consumables fell (–15%) for the first time in the company's history, due to weakened customer demand, while recurring contracts fell by 3% overall.

Increase in Order Backlog

Most of the increase in the backlog of orders for new software licenses and CAD/CAM systems at December 31, 2009, relative to the start of the year, is a result of orders booked in the fourth quarter. Aggregate orders exceeded revenues by 8%, or €3.6 million.

The order backlog for new software licenses and CAD/CAM equipment at December 31, 2009 (€12.9 million), increased by €3.7 million relative to January 1. It comprised €7.8 million for shipment in the first quarter of 2010, €3.2 million over the rest of the year, and €1.9 million in 2011.

Significant Reduction in Overhead Costs

The company began responding to the steep downturn in the economy as early as July 2008, taking steps to curb its spending, slow recruitment and, more generally, tighten its grip on overhead costs. These measures were reinforced on several occasions, particularly in April 2009. These various initiatives combined account for the sharp fall in fixed overheads relative to 2008 and 2007.

In addition, reorganizational measures and programs to optimize the company's resources implemented in November and December will further reduce fixed overheads in 2010.

Through these measures, total overhead costs (€111.1 million) were down €15.4 million compared to 2008. Fixed overheads and allowances (€106.2 million) fell by €13.3 million (11%). These figures exclude €1.9 million in non-recurring charges expensed in Q4 2009.

Despite the economic crisis, the company continued to invest significantly in research and development. In particular, it launched major upgrades to its design offer, *Kaledo V2R1*, and its collection lifecycle management solution, *Lectra Fashion PLM V2R1*, both of which are specific to the fashion industry.

Income From Operations and Net Income Hold up Well – Free Cash Flow Highly Positive

Although reduced overhead costs helped to cushion the impact of the sharp drop in revenues (–€45 million) on income from operations before non-recurring items, the latter was again negative (–€2.8 million).

Income from operations, after €1.9 million in non-recurring charges, amounted to a negative €4.7 million.

The company registered a net loss of €3.6 million (compared to a net income of €3.2 million in 2008).

Finally, after €0.7 million in non-recurring disbursements, free cash flow was positive at €9.3 million (compared to a negative €4.8 million after €1.6 million in non-recurring disbursements in 2008).

3. CONSOLIDATED FINANCIAL STATEMENTS FOR THE FULL YEAR 2009

Revenues

Revenues for 2009 totaled €153.2 million, down 23% compared to 2008, at actual exchange rates, as well as like-for-like.

The decline was 25% in Europe, 12% in the Americas, and 30% in the Asia-Pacific region. These three regions accounted for 57% (including 11% for France), 20%, and 17% of total revenues respectively. Revenues from the rest of the world, representing 6% of total revenues, fell 20%. Revenue trends differ from the trends in orders 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 (€17.6 million) decreased by 40% overall and contributed 11% of total revenues (15% in 2008).

CAD/CAM equipment revenues (€30.2 million) were down 47% and accounted for 20% of total revenues (28% in 2008).

Revenues from training and consulting (€7.7 million) were down 13%.

Overall, revenues from new systems sales (€56.2 million) fell 41% and represented 37% of total revenues (48% in 2008).

Revenues from Recurring Contracts and Spare Parts & Consumables

Recurring revenues (€97 million) decreased by €7.4 million (–7%) overall. As a result of weak new systems sales, they accounted for 63% of total revenues for 2009, compared to 52% in 2008.

Revenues from recurring contracts—which represented 67% of recurring revenues and 42% of total revenues—were €64.8 million. They were down 3% relative to 2008. However, this decline was limited, despite weak new systems sales and an unusually high cancellation rate, resulting from reduced activity levels, shutdowns and cost-cutting measures by certain customers.

Recurring contracts, which concern approximately two-thirds of Lectra’s 23,000 customers, break down as follows:

- Revenues from software evolution contracts (€30 million) were unchanged relative to 2008 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 5% to €34.8 million and represented 23% of total revenues.

Meanwhile, revenues from spare parts and consumables (€30.5 million) fell by 15%.

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

Gross Margin

The overall gross margin worked out to 70.7%. Like-for-like, it came to 70.6%, up 3.8 percentage points relative to 2008 (66.8%).

This positive change confirms that sale prices held up well, despite increased competitive pressure during periods of economic crisis. Margins on each product line are stable or up slightly.

This 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 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.

Overhead Costs

Total overhead costs were €111.1 million, down €15.4 million (–12%) compared to 2008. They break down as follows:

- €106.2 million in fixed overheads costs and allowances, down €13.3 million (–11%) thanks to the stringent cost-cutting measures implemented as early as the third quarter of 2008 and reinforced since April 2009;
- €4.9 million in variable costs (–31%).

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 €16.2 million and represented 10.6% of revenues (compared to €18.3 million and 9.2% in 2008). Thanks to the company's decision to maintain its significant R&D effort, the corresponding expenditures fell by only 12%. Net R&D costs after deduction of the research tax credit and grants amounted to €8.7 million, versus €10.6 million in 2008.

Income from Operations and Net Income

Income from operations before non-recurring items was negative at €2.8 million. On a like-for-like basis, the loss was negative at €2.9 million, down €9.9 million relative to the positive income from operations before non-recurring items of €7.0 million in 2008.

The margin on operations before non-recurring items was –1.8%. On a like-for-like basis, it worked out to –1.9% and fell 5.4 percentage points compared to 2008.

Non-recurring expenses, reflecting the reorganizational measures implemented in Q4 2009, amounted to €1.9 million.

After deducting these expenses, the company recognized a negative income from operations of €4.7 million. Like-for-like, the figure worked out to a negative €4.8 million.

Net financial expenses represent a net charge of €3.6 million. A net foreign exchange gain of €2 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 €3.6 million (compared to a net income of €3.2 million in 2008).

Net earnings per share on basic and diluted capital showed a loss of €0.13, compared to positive earnings of €0.11 per share in 2008.

Free Cash Flow

Free cash flow before non-recurring items was positive at €9.9 million (compared to a negative €3.2 million in 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 statement of financial position 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, €6 million has been recognized but not yet received, corresponding to the research tax credit for 2009.

After €0.7 million in non-recurring disbursements, free cash flow was positive at €9.3 million (compared with a negative €4.8 million in 2008, after €1.6 million in non-recurring disbursements). This figure results from €11 million in positive cash flow provided by operating activities (of which a €9.6 million reduction in working capital requirement) and capital expenditures of €1.7 million. Inventories in particular declined once again to €18.4 million at December 31, 2009, versus €28.6 million at December 31, 2008, with an offsetting decline in accounts payable.

Excluding the impact of research tax credits (the net effect of which has been to reduce the working capital requirement by €8.1 million), free cash flow before non-recurring items was positive at €1.8 million, while the loss before tax and excluding non-recurring items was €4.4 million, a performance worth noting, given the circumstances. The comparison of free cash flow performance to income (loss) before tax is the most meaningful metric, since no actual tax collection is recognized for the period.

Shareholders' Equity – Net Financial Borrowings and Liquidity

At December 31, 2009, consolidated shareholders' equity amounted to €24.7 million (€28.6 million at December 31, 2008). Retrospective application of IFRS 8 resulted in a €0.5 million goodwill adjustment at December 31, 2008, and an increase of the same amount in shareholders' equity.

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., €1.4 million (€1.5 million at December 31, 2008).

Cash and cash equivalents totaled €9.7 million (€10.2 million at December 31, 2008).

Financial borrowings totaled €57.5 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;
- €7.6 million corresponds to the use of cash credit facilities (€16.9 million at December 31, 2008);
- €1.9 million corresponds to interest-free repayable government advances to finance research and development programs.

Net financial borrowings consequently totaled €47.8 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 (covenants) at December 31 of each year (see chapter 10.1 of the notes to this report). Anticipating that these ratios would probably not be respected at December 31, 2009, as a result of the economic crisis, in December 2009, the company secured an agreement with the lending banks for a waiver of early repayment of the loan, despite breaking these covenants in 2009. None of the clauses and conditions of this loan is modified by this agreement.

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 €31.1 million on the basis of the financial statements at December 31, 2009 (see chapter 10.2 of the notes to this report).

Litigation Pending

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

In its decision, the international arbitral tribunal awarded Lectra €21.9 million plus interest:

- award on the merits: €15.1 million (plus interest since June 30, 2005, and post-award interest until payment)

- award as costs: €6.8 million (plus post-award interest from the time of the decision until payment).

Total interest awarded by the tribunal since June 30, 2005, until the date of the decision amounts to €3.4 million, bringing the total amount of damages and interest awarded until the date of the decision to €25.3 million. Interest matured since that date and until December 31, 2009, amounts to €0.1 million.

Following notification of the award, Lectra called on €15.1 million in respect of the first demand guarantees provided by Induyco pursuant to the terms of the share purchase agreement and requested that Induyco pay the full amount of the award plus post-award interest.

Induyco has since obtained an interim order in Spain temporarily suspending operation of the demand guarantees, claiming that Lectra must obtain recognition and enforcement of the award in Spain before being able to recover any amounts under the guarantees. Lectra appealed against this decision at the beginning of 2010.

Induyco also commenced proceedings at the end of 2009 in Spain, challenging Lectra's demand under the demand guarantees, and in the U.K. challenging the award.

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

In view, on the one hand, of the suspension of the payment of €15.1 million in respect of the bank guarantees and of the non-payment by Induyco of the award and, on the other hand, of the new proceedings commenced by Induyco in Spain and the U.K. (the effect of which will be to delay any receipt of payment of the award by Lectra), the company has not recognized the amount of the award of €25.3 million in its 2009 financial statements, and the accounting methods applied for the arbitration procedure, as adopted at December 31, 2008, remain unchanged.

The arbitral award has had no impact on the 2009 free cash flow.

As all the €9.9 million incurred by Lectra in respect of legal and expert fees, procedural and other costs at the date of the award has already been paid in full, execution of the arbitral decision will result in a cash inflow equal to the total amount of the award, i.e. €25.3 million plus interest since the date of the decision *(see chapter 8 of the notes to this report)*.

4. APPROPRIATION OF EARNINGS

In 2004, the company initiated a policy of paying dividends to its shareholders while continuing to fund its future growth. It suspended this policy in 2007, as a result of the Public Share Buyback Tender Offer, and then in 2008 in light of the level of the company's earnings and net debt.

The net loss for 2009 does not permit payment of a dividend in respect of the year in review.

Re-affirming its confidence in the future, the Board of Directors intends to propose to the shareholders to resume its dividend payment policy as soon as its financial condition permits.

5. SHARE CAPITAL – OWNERSHIP – SHARE PRICE PERFORMANCE

Change in Share Capital

At December 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.

On September 24, 2009, Insinger de Beaufort Asset Management N.V. (Netherlands), acting on behalf of investment funds managed by it, reported that it had 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.

On December 16, 2009, Delta Lloyd Asset Management N.V. (Netherlands), a subsidiary of Aviva, reported that it had increased its shareholding and voting rights above the 10% reporting threshold, and held 10.7% of the capital and 10.52% of the voting rights at that date. Delta Lloyd has stated that it had purchased the Lectra shares in the normal course of its asset management activity and does not intend to pursue any specific strategy vis-à-vis Lectra nor to exercise any specific influence over the latter's management in this regard. Delta Lloyd Asset Management N.V. is not acting in concert with any third party and does not intend to take control of Lectra, or to request its appointment to the Board, or that of one or more representatives.

On January 6, 2010, Insinger de Beaufort Asset Management N.V. (Netherlands) reported having reduced its shareholding and voting rights below the 5% statutory reporting thresholds and that it held 4.69% of the capital and 4.61% 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) and Delta Lloyd Asset Management N.V. (Netherlands), which hold more than 10% (but less than 15%) of the capital and voting rights on behalf of investment funds managed by them.

Finally, the company holds 1.6% of its own shares in treasury shares, solely within the framework of the Liquidity Agreement.

Share Price Performance and Trading Volumes

The company's share price at December 31, 2009, was €2.25, down 31% 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 22% and 40% respectively over the same period.

This sharp drop occurred in narrow trading volumes: according to Euronext figures, 3.9 million shares were traded (–23%), and the volume of capital traded was €8.7 million (–49%), compared to the same period in 2008.

6. POST-CLOSING EVENTS

No significant event has occurred since December 31, 2009.

7. FINANCIAL CALENDAR

The annual Shareholders' Meeting will be held on April 30, 2010.

The quarterly financial results for 2010 will be published on April 29, July 29, and 0ctober 28, 2010 respectively, after close of trading on Euronext Paris. The audited full-year 2010 results will be published on February 10, 2011.

8. BUSINESS TRENDS AND OUTLOOK

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

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

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

The company's management team used the second half of 2009 for a comprehensive rethink of the company and its future, within the approaching context of a totally "reset economy," as the international business press has called it. If the global economic paradigm has shifted radically, the company has, more than ever, needed to frame its decisions within a medium-term vision since the onset of the crisis, independently of how financial markets may react and of any action geared purely to the short term. Consequently, the imperatives shaping the company's action plans have been to preserve its strategic assets, leverage its strengths, and continue building for the future. The company has accordingly clarified and re-centered its priorities, and all its teams are mobilized to ensure its success.

The overriding objectives of the strategic plan laid down for the coming years remain unchanged from previous plans. These are: to accentuate Lectra's technological leadership and the high added value of its products and services; strengthen its competitive position and its long-term relationships with customers; accelerate organic growth once the crisis is over; increase profitability by regularly augmenting its operating margin; and generate free cash flow exceeding net income (assuming receipt of the tax credit for research recognized in the year).

The two immediate imperatives are to protect the company's financial position in the short term and limit its exposure to risks.

Receipt of the €25.3 million awarded to the company by the international arbitral tribunal would enable the company to halve its existing debt.

2010 Outlook

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

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

The key elements of the 2010 plan are:

- fixed overhead costs of €101 million, down by €4.2 million (–4%) relative to 2009;
- preserving gross margin rates at their 2009 levels (excluding the impact of currency fluctuations and changes in the product mix, a rebound in activity could start by boosting sales of CAD/CAM equipment);
- no change, overall, in recurring revenues (or down slightly if activity remains flat). While recurring contracts are expected to decline by 4-6% (given the exceptionally high level of cancelations in 2009), sales of spare parts and consumables should grow by between 5 and 10%, given the increase in activity and output at customer firms;
- Free cash flow exceeding income before tax.

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

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

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

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

At the same time, an average rise in the dollar of $0.05 against the euro, taking the parity from $1.50/€1 (the parity assumed in the 2010 budget) to $1.45/€1, would mechanically increase revenues by around €1.5 million and income from operations by around €0.7 million. Conversely, a fall in the dollar of $0.05 would decrease revenues and income from operations by the same amounts.

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

In the company's business model, each €1 million increase or decrease in revenues from new systems sales would respectively increase or reduce income from operations by approximately €0.4 million.

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

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

The Board of Directors

February 11, 2010

Company Certification of the Fourth Quarter and Fiscal Year 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 fourth quarter and for the fiscal year 2009 presents a true and sincere view of the changes in the operations, results, and financial condition of the company and of its consolidated companies, significant events that occurred during the year and their impact on the financial statements, and a description of the main risks and uncertainties faced by the company.

Paris, February 11, 2010

Daniel Harari	Jérôme Viala
Chief Executive Officer	Chief Financial Officer

Consolidated statement of financial position

ASSETS As at December 31 (in thousands of euros)	2009	2008 [(1)]
Goodwill	36,401	36,563
Other intangible assets	5,797	5,887
Property, plant and equipment	12,455	14,420
Non-current financial assets	1,492	1,656
Deferred income tax	15,573	12,097
Total non-current assets	71,718	70,623
Inventories	18,448	28,614
Trade accounts receivable	43,357	45,653
Current income tax receivable	7,773	15,207
Other current assets	10,337	9,340
Cash and cash equivalents	9,749	10,175
Total current assets	89,664	108,989
Total assets	161,382	179,612

EQUITY AND LIABILITIES	2009	2008 [(1)]
Share capital	27,641	27,641
Share premium	1,033	1,033
Treasury shares	(1,439)	(1,498)
Currency translation adjustment	(8,585)	(8,043)
Retained earnings and net income	6,039	9,471
Total equity	24,689	28,604
Retirement benefit obligations	3,784	3,746
Borrowings, non-current portion	42,060	49,433
Total non-current liabilities	45,844	53,179
Trade and other payables	39,378	45,788
Deferred revenues	33,369	32,310
Current income tax liabilities	76	654
Borrowings	15,475	17,096
Provisions for other liabilities and charges	2,551	1,981
Total current liabilities	90,849	97,829
Total equity and liabilities	161,382	179,612

(1) In accordance with IAS 8, the impacts of the application of IFRS 8 are restated at December 31, 2008 in the consolidated statement of financial position (see Chapter 2 in the notes to the consolidated financial statements).
Moreover down-payments from customers are now classified in 'other current payables' and down-payments to suppliers in 'other current assets' as at December 31, 2008.

Consolidated income statement

For year ended December 31 (in thousands of euros)	2009	2008
Revenues	153,187	198,133
Cost of goods sold	(44,853)	(65,757)
Gross profit	108,334	132,376
Research and development	(8,673)	(10,607)
Selling, general and administrative expenses	(102,454)	(114,808)
Income (loss) from operations before non-recurring items	(2,793)	6,961
Non-recurring expenses	(1,880)	-
Income (loss) from operations	(4,673)	6,961
Financial income	158	424
Financial expense	(3,755)	(4,128)
Foreign exchange income (loss)	1,961	(602)
Income (loss) before tax	(6,309)	2,655
Income tax	2,686	583
Net income (loss)	(3,623)	3,238

(in euros)	2009	2008
Earnings per share		
- basic	(0.13)	0.11
- diluted	(0.13)	0.11
Shares used in calculating earnings per share		
- basic	28,077,080	28,236,981
- diluted	28,077,080	28,236,981

Statement of comprehensive income

(in thousands of euros)	2009	2008
Net income (loss)	(3,623)	3,238
Currency translation adjustment	(542)	676
Efficient part of the fair value variation of interest-rate swap	30	(1,736)
Tax effect on the comprehensive income items	(10)	579
Comprehensive income (loss)	(4,145)	2,757

Consolidated statement of cash flows

For year ended December 31 (in thousands of euros)	2009	2008
I - OPERATING ACTIVITIES		
Net income (loss)	(3,623)	3,238
Depreciation and amortization	8,373	8,851
Non-cash operating expenses	190	26
Loss (profit) on sale of fixed assets	(8)	(5)
Changes in deferred income taxes, net value	(3,510)	(1,956)
Changes in inventories	8,433	(1,542)
Changes in trade accounts receivable	1,216	8,427
Changes in other current assets and liabilities	(75)	(18,263)
Net cash provided by (used in) operating activities	10,996	(1,224)
II - INVESTING ACTIVITIES		
Purchases of intangible assets	(1,486)	(1,476)
Purchases of property, plant and equipment	(847)	(2,202)
Proceeds from sales of intangible assets and property, plant and equipment	404	27
Purchases of financial assets	(249)	(1,240)
Proceeds from sales of financial assets	440	1,297
Net cash provided by (used in) investing activities	(1,738)	(3,594)
III - FINANCING ACTIVITIES		
Proceeds from issuance of ordinary shares	-	86
Purchases of treasury shares	(377)	(1,187)
Sales of treasury shares	185	163
Proceeds from borrowings	400	800
Repayments of borrowings	(125)	(146)
Net cash provided by (used in) financing activities	83	(284)
Increase (decrease) in cash and cash equivalents	9,341	(5,102)
Cash and cash equivalents at the openning	(6,725)	(1,715)
Increase (decrease) in cash and cash equivalents	9,341	(5,102)
Effect of changes in foreign exchange rates	(467)	92
Cash and cash equivalents at the closing	2,149	(6,725)
Free cash flow before non-recurring items	9,925	(3,234)
Non-recurring items of the free cash flow	(667)	(1,584)
Free cash flow	9,258	(4,818)
Income tax paid [1]	1,389	256
Interest paid	3,152	3,549

(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							*3,238*	*3,238*
Other comprehensive income (loss)						*676*	*(1,157)*	*(481)*
Comprehensive income						676	2,081	2,757
Fair value of stock options							452	452
Issuance of ordinary shares	18,615		28	57				85
Sale (purchase) of treasury shares					(917)			(917)
Profit (loss) on treasury shares							(73)	(73)
Reduction in share capital		(0.53)	(15,103)				15,103	-
Balances at December 31, 2008	28,495,514	0.97	27,641	1,033	(1,498)	(8,043)	9,471	28,604
Net loss							*(3,623)*	*(3,623)*
Other comprehensive income (loss)						*(542)*	*20*	*(522)*
Comprehensive loss						(542)	(3,603)	(4,145)
Issuance of ordinary shares							338	338
Sale (purchase) of treasury shares					59			59
Profit (loss) on treasury shares							(167)	(167)
Balances at December 31, 2009	28,495,514	0.97	27,641	1,033	(1,439)	(8,585)	6,039	24,689

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 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 turbines, 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 helps 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 demand for mass-customization; and monitoring and developing their corporate image and brands. The Group markets end-to-end 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 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 nearly 1,400 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 93% of its revenues directly in 2009. 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 800 employees dedicated to marketing, sales and services. It employs 216 engineers dedicated to R&D, and 166 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, CAD/CAM equipment 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) published by the International Accounting Standards Boards as adopted within the European Union, and available for consultation on the European Commission website:

http://ec.europa.eu/internal_market/accounting/ias/index_en.htm

The Financial Statements at December 31, 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 has applied the following standards adopted by the European Union and applicable to fiscal years since January 1, 2009:

- IAS 1 revised — Presentation of Financial Statements;

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 comprises all 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.

IFRS 8 (Operating Segments) has been applied for the first time as of January 1, 2009, replacing IAS 14. The application of this standard, which has entailed significant changes in 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 comprising the Group. Goodwill existing as at January 1, 2008 resulting from the various 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 was increased by €0.5 million at December 31, 2008, 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 December 31, 2008.

The other standards and interpretations adopted in 2009 had no impact on the Group's financial statements, i.e.:

- IAS 23 Revised – Borrowing Costs;
- IFRS 2 Amendment – Vesting Conditions and Cancellations;
- 2008 Improvements to IFRSs (except the amendments to IFRS 5);
- IAS 32 and IAS 1 Amendment – Puttable Financial Instruments and Obligations Arising on Liquidation;
- IFRS 1 and IAS 27 Amendment – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate;
- IFRIC 13 – Customer Loyalty Programs;

In compliance with the French 2010 Budget Act of December 30, 2009 reforming the Business Tax, and with the January 14, 2010 Statement issued by the Conseil National de la Comptabilité, the Group has decided as of fiscal year 2010 to classify the "Cotisation sur la Valeur Ajoutée des Entreprises" (CVAE or tax on business value added) in income tax.

Consequently, at December 31, 2009 the Group recognized deferred tax liabilities of €0.1 million on assets from which future economic benefits are expected to flow and which are liable for tax in respect of the CVAE although their recovery is not deductible from value added.

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.

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.

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.

In the context of the application of IFRS 8 as of January 1, 2008, the Group has changed the allocation of goodwill to the different cash-generating units comprising the Group. In taking into account this reallocation of goodwill and expected future revenue streams, positive goodwill is tested for possible impairment loss at each balance sheet date.

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 that render mandatory the recognition of research and development costs in assets at the moment they occur 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.

Income from operations before non-recurring items

The Group tracks its operating performance by means of an intermediate balance referred to as income from operations before non-recurring items. This financial metric reflects income from operations less non-recurring gains and plus non-recurring charges.

Borrowings and Financial Debt

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

- 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 December 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. In 2009, their combined revenues totaled €1.4 million, and their combined assets in their balance sheet totaled €1.5 million. They had no non-Group financial debt.

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

4.1 Q4 2009

	Three Months Ended December 31				
	2009		2008	Changes 2009/2008	
(in thousands of euros)	Actual	At 2008 exchange rates	Actual	Actual	Like-for-like
Revenues	42,553	43,835	47,234	-10%	-7%
Cost of goods sold	(13,132)	(13,180)	(14,013)	-6%	-6%
Gross profit	29,421	30,655	33,221	-11%	-8%
(in % of revenues)	69.1%	69.9%	70.3%	-1.2 point	-0.4 point
Research and development	(2,129)	(2,129)	(2,598)	-18%	-18%
Selling, general and administrative expenses	(24,668)	(25,240)	(28,752)	-14%	-12%
Income from operations before non-recurring items	2,624	3,286	1,871	40%	+76%
(in % of revenues)	6.2%	7.5%	4.0%	+2.2 points	+3.5 points
Non-recurring expenses	(1,880)	(1,843)	-	n/a	n/a
Income from operations	744	1,443	1,871	-60%	-23%
(in % of revenues)	1.7%	3.3%	4.0%	-2.3 points	-0.7 point
Income before tax	658	1,357	672	-2%	102%
Income tax	(48)	n/a	(224)	n/s	n/a
Net income (loss)	610	n/a	448	n/s	n/a

4.2 Fiscal year 2009

	Twelve Months Ended December 31				
	2009		2008	Changes 2009/2008	
(in thousands of euros)	Actual	At 2008 exchange rates	Actual	Actual	Like-for-like
Revenues	153,187	151,662	198,133	-23%	-23%
Cost of goods sold	(44,853)	(44,638)	(65,757)	-32%	-32%
Gross profit	108,334	107,024	132,376	-18%	-19%
(in % of revenues)	70.7%	70.6%	66.8%	+3.9 points	+3.8 points
Research and development	(8,673)	(8,673)	(10,607)	-18%	-18%
Selling, general and administrative expenses	(102,454)	(101,296)	(114,808)	-11%	-12%
Income (loss) from operations before non-recurring items	(2,793)	(2,945)	6,961	n/s	n/s
(in % of revenues)	-1.8%	-1.9%	3.5%	-5.3 points	-5.4 points
Non-recurring expenses	(1,880)	(1,843)	-	n/a	n/a
Income (loss) from operations	(4,673)	(4,788)	6,961	n/s	n/s
(in % of revenues)	-3.1%	-3.2%	3.5%	-6.6 points	-6.7 points
Income (loss) before tax	(6,309)	(6,424)	2,655	n/s	n/s
Income tax	2,686	n/a	583	n/s	n/a
Net income (loss)	(3,623)	n/a	3,238	n/s	n/a

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

5.1 Q4 2009

Revenues by geographic region

	Three Months Ended December 31						
	2009			2008		Changes 2009/2008	
(in thousands of euros)	Actual	%	At 2008 exchange rates	Actual	%	Actual	Like-for-like
Europe, of which :	23,418	55%	23,515	28,920	61%	-19%	-19%
- France	4,289	10%	4,289	5,886	12%	-27%	-27%
Americas	8,661	20%	9,359	8,270	18%	+5%	+13%
Asia-Pacific	7,117	17%	7,645	7,359	16%	-3%	+4%
Other countries	3,357	8%	3,316	2,685	6%	+25%	+24%
Total	42,553	100%	43,835	47,234	100%	-10%	-7%

Revenues by product line

	Three Months Ended December 31						
	2009			2008		Changes 2009/2008	
(in thousands of euros)	Actual	%	At 2008 exchange rates	Actual	%	Actual	Like-for-like
Software, of which :	12,770	30%	13,088	14,689	31%	-13%	-11%
- New licenses	5,330	13%	5,460	6,652	14%	-20%	-18%
- Software evolution contracts	7,440	17%	7,628	8,037	17%	-7%	-5%
CAD/CAM equipment	9,724	23%	10,201	11,448	24%	-15%	-11%
Hardware maintenance and on-line services	8,924	21%	9,151	9,832	21%	-9%	-7%
Spare parts and consumables	8,720	20%	8,941	8,483	18%	+3%	+5%
Training and consulting services	2,174	5%	2,204	2,559	5%	-15%	-14%
Miscellaneous	241	1%	250	223	0%	+9%	+12%
Total	42,553	100%	43,835	47,234	100%	-10%	-7%

Breakdown of revenues between new systems sales and recurring revenues

	Three Months Ended December 31						
	2009			2008		Changes 2009/2008	
(in thousands of euros)	Actual	%	At 2008 exchange rates	Actual	%	Actual	Like-for-like
Revenues from new systems sales(1)	17,469	41%	18,114	20,881	44%	-16%	-13%
Recurring revenues(2), of which :	25,084	59%	25,721	26,353	56%	-5%	-2%
- Recurring contracts	15,907	37%	16,315	17,472	37%	-9%	-7%
- Other recurring revenues on the installed base	9,177	22%	9,406	8,881	19%	+3%	+6%
Total	42,553	100%	43,835	47,234	100%	-10%	-7%

(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 Fiscal year 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 :	87,144	57%	87,813	117,393	60%	-26%	-25%
- France	16,140	11%	16,140	20,862	11%	-23%	-23%
Americas	30,971	20%	30,185	34,427	17%	-10%	-12%
Asia-Pacific	25,262	17%	23,839	34,073	17%	-26%	-30%
Other countries	9,810	6%	9,825	12,240	6%	-20%	-20%
Total	153,187	100%	151,662	198,133	100%	-23%	-23%

Twelve Months Ended December 31

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 :	47,580	31%	47,200	58,566	30%	-19%	-19%
- New licenses	17,586	11%	17,406	28,830	15%	-39%	-40%
- Software evolution contracts	29,994	20%	29,794	29,736	15%	+1%	0%
CAD/CAM equipment	30,241	20%	29,878	56,172	28%	-46%	-47%
Hardware maintenance and on-line services	36,501	24%	36,082	38,072	19%	-4%	-5%
Spare parts and consumables	30,468	20%	30,152	35,636	18%	-15%	-15%
Training and consulting services	7,680	5%	7,635	8,769	4%	-12%	-13%
Miscellaneous	717	0%	715	918	0%	-22%	-22%
Total	153,187	100%	151,662	198,133	100%	-23%	-23%

Twelve Months Ended December 31

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]	56,224	37%	55,634	94,689	48%	-41%	-41%
Recurring revenues[2], of which :	96,963	63%	96,028	103,444	52%	-6%	-7%
- Recurring contracts	64,834	42%	64,241	65,909	33%	-2%	-3%
- Other recurring revenues on the installed base	32,129	21%	31,787	37,535	19%	-14%	-15%
Total	153,187	100%	151,662	198,133	100%	-23%	-23%

Twelve Months Ended December 31

[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)	2009 Actual	2009 %	2009 At 2008 exchange rates	2008 Actual	2008 %	Changes 2009/2008 Actual	Changes 2009/2008 Like-for-like
Fashion (apparel, accessories, footwear)	35,252	63%	34,828	57,589	61%	-39%	-40%
Automotive	9,315	17%	9,219	17,615	19%	-47%	-48%
Furniture	4,562	8%	4,670	6,936	7%	-34%	-33%
Other industries	7,095	13%	6,917	12,549	13%	-43%	-45%
Total	56,224	100%	55,634	94,690	100%	-41%	-41%

Twelve Months Ended December 31

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.

Twelve Months Ended December 31, 2008 (in thousands of euros)	Europe	Americas	Asia-Pacific	Other countries	Corporate segment	Total
Revenues	117,394	34,426	34,073	12,240	-	198,133
Income (loss) from operations before non-recurring items	8,177	(3,965)	(2,578)	941	4,386	6,961
Segment assets	74,122	22,308	13,623	6,332	63,227	179,612
- of which goodwill	*28,640*	*6,230*	*1,325*	*368*	-	*36,563*
Net segment assets [1]	55,619	14,455	9,488	4,516	63,224	147,302

Twelve Months Ended December 31, 2009 (in thousands of euros)	Europe	Americas	Asia-Pacific	Other countries	Corporate segment	Total
Revenues	87,144	30,971	25,262	9,810	-	153,187
Income (loss) from operations before non-recurring items	2,536	(2,519)	(2,911)	967	(866)	(2,793)
Segment assets	74,379	21,032	11,363	5,526	49,082	161,382
- of which goodwill	*28,731*	*6,020*	*1,282*	*368*	-	*36,401*
Net segment assets [1]	54,041	13,609	7,742	3,540	49,081	128,013

(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, because the share of gross margin on revenue allocated to this operating segment is insufficient to cover its overhead expenses.

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	9.9	-	9.9
Non-recurring items included in free cash flow	(0.7)	-	(0.7)
Sale and purchase of treasury shares[1]	(0.2)	-	(0.2)
Change in borrowings	0.3	(0.3)	-
Impact of currency variations – other	(0.5)	-	(0.5)
Change in cash position for the period	8.9	(0.3)	8.6
Situation at December 31, 2008 (statement of financial position)	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 December 31, 2009 (statement of financial position)	9.7	(57.5)	(47.8)
Use of cash credit facilities	(7.6)	7.6	-
Situation at December 31, 2009 (cash flow statement)	2.1	(49.9)	(47.8)

(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 December 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 previously 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 €6.0 million for the fiscal year 2009 has been recognized but not yet received. Excluding the impact of research tax credits, free cash flow at December 31, 2009 amounted to a positive €1.2 million.

The working capital requirement decreased by €9.6 million, mainly due to the following items:

- €8.4 million corresponding to the reduction in inventories and work-in progress;
- €1.2 million corresponding to the reduction in accounts receivable;
- –€0.1 million corresponding to the change in other current assets and liabilities, including:
  - €14.1 million corresponding to the receipt of 2005–2008 research tax credits;
  - –€6.0 million for the 2009 research tax credit, recognized and not yet received*;*
  - –€7.0 million corresponding to the reduction in payables to suppliers;
  - –€1.2 million corresponding to the change in other current assets and liabilities.

8. LITIGATION PENDING

The international arbitral tribunal awards Lectra €25.3 million

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

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 disputes arising out of or relating to the agreement would be finally settled by international arbitration. Induyco provided Lectra with first demand bank guarantees for a total amount of €17.2 million.

The final phase of the arbitral hearings took place in November 2007.

In its decision of October 28, 2009, the international arbitral tribunal awarded Lectra €21.9 million plus interest:

- award on the merits: €15.1 million (plus interest since June 30, 2005 and post-award interest until payment),
- award as costs: €6.8 million (plus post-award interest from the time of the decision until payment).

Interest awarded by the Tribunal from June 30, 2005 until the date of the decision amounts to €3.4 million, thus bringing the total amount of the award plus interest awarded up till the date of the decision to €25.3 million. Post-award interest earned until December 31, 2009 comes to €0.1 million.

Following notification of the award, Lectra called on €15.1 million in respect of the aforesaid first demand bank guarantees, and requested that Induyco pay the full amount of the award plus post-award interest

Induyco has since obtained an interim order in Spain temporarily suspending operation of the first demand guarantees on the grounds that Lectra must obtain recognition and enforcement of the award in Spain before being able to recover any amounts under the guarantees. Lectra appealed this decision at the beginning of 2010.

Induyco also commenced proceedings at the end of 2009 in Spain, challenging Lectra's demand under the demand guarantees, and in England challenging the award.

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

Impact of the award on Lectra's financial statements and cash flow

In view of, (a) the suspension of the payment of €15.1 million in respect of the bank guarantees and of the non-payment by Induyco of the award and (b) of the new proceedings commenced by Induyco in Spain and the UK, whose effect will be to delay any receipt of payment of the award by Lectra, the company has not recognized in its 2009 financial statements the amount of €25.3 million awarded by the arbitral tribunal, and the accounting methods applied to the arbitration procedure, as adopted at December 31, 2008, remain unchanged.

Under IFRS rules, companies must recognize in their financial statements only amounts for which there is a high degree of certainty of receiving the amount in the near future. As a matter of prudence, in view of uncertainties surrounding the timing of the proceedings in Spain and the UK, and in light of Induyco's stated intention of doing everything in its power to delay execution of the decision, the company considers that the date of effective payment of the award in the near future—including the €15.1 million call on bank guarantees—could not be predicted with the requisite high degree of certainty.

The aggregate amount of legal and expert fees, procedural and other costs incurred by Lectra since the beginning of the procedure and until December 31, 2009 amounts to €10.2 million. Of this amount, €4.5 million were expensed as operating expenses in 2005, 2006 and 2009, and €5.7 million incurred from January 1, 2006 to October 28, 2009 were recognized in current assets in the balance sheet. The full amount recognized in current assets will be deducted from the arbitral tribunal's award to Lectra once the award has been recorded in the company's accounts.

The arbitral award has had no impact on the 2009 free cash flow.

As all €9.9 million costs incurred by Lectra have already been paid in full at the date of the award, the execution of the arbitral decision will result in a cash inflow equal to the total amount of the award, i.e. €25.3 million (plus interest since the date of the decision).

Legal fees and costs of the new legal proceedings instituted by Induyco in Spain and the UK will be expensed directly in charges over the period in which the corresponding proceedings take place.

9. TREASURY SHARES

Under the Liquidity Agreement administered by SG Securities (Paris), in 2009, the company purchased 162,407 shares and sold 78,320 shares at an average purchase price of €2.33 and €2.36, 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 December 31, 2009, the company held 442,546 Lectra shares (or 1.6% of share capital) with an average purchase price of €3.25 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). Repayments are scheduled to accelerate from 2010 onward, depending on the increase of free cash provided from operations. Moreover, the contract provides for accelerated repayment of the portion actually collected of the arbitral award against Induyco. The repayment dates used in the table in note 10.3 are the contractual payment dates, at the latest, in the absence of an acceleration of repayments.

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. A loan covenant provides for early repayment of the loan in its entirety in the event of failure to comply with these ratios; in that event the company would recontact its banks in order to come to a satisfactory arrangement.

Anticipating that these ratios would probably not be respected at December 31, 2009, in December 2009 the company secured an agreement with the lending banks to a waiver of early repayment of the loan despite breaking these covenants in 2009. None of the clauses and conditions of this loan is modified by this agreement. The ratios to be respected at December 31 of each year until the maturity of this loan are as follows:

	2010	2011	2012
Leverage	<1.9	<1.7	<1.7
Gearing	<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 a margin that was set at 1.85% per year as from January 1, 2009. This margin may be reduced to 0.95% depending on the company's leverage ratio.

The company hedged in 2007 its interest-rate risk exposure on part of the loan by converting this floating rate into a fixed rate via two interest-rate swaps *(see chapter 11 below)*. The total effective rate after including the cost of the hedging instruments and amounts hedged for 2009 is 6.18%.

10.2 Liquidity

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

(in thousands of euros)	Limits	Utilizations	Available amounts
Confirmed cash credit facilities			
- until July 31, 2010	15,000	7,600	7,400
- until June 15, 2011	4,000	-	4,000
- until June 23, 2011	10,000	-	10,000
Total	29,000	7,600	21,400
Bank loan	48,000	48,000	-
Non-interest bearing repayable advances	1,935	1,935	-
Total financial debt	78,935	57,535	21,400
Cash and cash equivalents			9,749
Total	78,935	57,535	31,149

In December 2009, the company renewed the cash credit facilities that had expired in 2009. Consequently, at the date of this report, in addition to the €15 million cash credit facilities expiring on July 31, 2010 it had access to €14 million in additional confirmed cash credit facilities expiring on June 15 and 23, 2011. Based on cash and cash equivalent available and credit facilities drawn at December 31, 2009, it has access to a total of €31.1 million to cover its liquidity needs.

Finally, the French Government has announced that the early repayment of the research tax credit, one of the measures contained in its economic stimulus plan, will be extended for 2010, and that it would apply this measure to the research tax credit recognized by companies in respect of 2009. Lectra will receive a repayment of around €6.2 million in the first quarter of 2010 as a result of this measure.

10.3 Borrowings and Financial Debt

Schedule of borrowings at December 31, 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	7,680	40,320	-	48,000
Interest-free repayable advances (1)	195	1,740	-	1,935
Cash facilities	7,600	-	-	7,600
Total	15,475	42,060	-	57,535

(1) The repayable advances 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 part of 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 December 31, 2009 was a negative €2.2 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 deemed effective and 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.

Consequently, the adverse impact of the dollar's decline (and that of the yen) on income from operations for the fiscal year 2009 has been offset by a matching currency translation gain.

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.

The average parity assumed for the 2010 budget is $1.50/€1.

An average fall in the dollar of $0.05 against the euro (raising the average parity to €1.55/€1) would mechanically decrease annual revenues by around €1.5 million and income from operations by around €0.7 million. Conversely, a rise in the dollar of $0.05 (lowering the average parity to €1.45/€1) would increase revenues and income from operations by the same amounts.

Exchange Risk Hedging Instruments

Exchange risk hedging instruments at December 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 €12.3 million.

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

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.