MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS FOR THE FIRST QUARTER 2010

To all Shareholders,

We report below on the Lectra Group's business activity and consolidated financial statements for the first quarter 2010, ending March 31.

To make the discussion of revenues and earnings as meaningful as possible, detailed comparisons between 2010 and 2009 are based on 2009 exchange rates ("like-for-like") unless stated otherwise. A comparison with figures for 2007, the last year before the onset of the economic and financial crisis, has been added in order to better gauge the impact on sales activity.

1. SUMMARY OF OPERATIONS FOR Q1 2010

With an average parity of $1.38/€1, the U.S. dollar was down 6% compared to the first quarter of 2009. This change, and that of other currencies, mechanically decreased revenues by 1% and income from operations by €0.2 million at actual exchange rates, compared to like-for-like figures.

Sales activity, Earnings and Free Cash Flow Clearly Exceed Expectations

2010 has opened with positive signs, with sales activity, income from operations and free cash flow all rising sharply relative to Q1 2009, and reaching levels clearly beyond the company's expectations.

Orders Recover Strongly

After seven consecutive quarters of steep declines resulting from the economic crisis, Q1 2010 confirmed the rebound in sales activity registered in Q4 2009.

At a total of €17.3 million, orders for new software licenses and CAD/CAM equipment were up 68% compared to Q1 2009 (€10.4 million). Orders for new software licenses were up 63%, while those for CAD/CAM equipment were up 71%.

It should be noted, however, that orders for Q1 2009, which were severely affected by the crisis, fell 58% relative to Q1 2007. As a result, and despite rising sharply, orders for Q1 2010 were still down 31% compared to Q1 2007, evidence of the continuing effects of the crisis.

In geographic terms, the upturn in sales activity relative to Q1 2009 was disparate. While orders for new software licenses and CAD/CAM equipment booked in the Americas jumped 150% and those in the Asia-Pacific region rose 67%, growth in Europe was weaker at 29%, and varied between countries. Sales in the rest of the world, comprising Northern Africa, South Africa, Turkey, the Middle East, etc., advanced 90%.

All market sectors, including fashion, automotive and other industries, contributed to this rebound in sales, the sole exception being the furniture industry.

Sales of spare parts and consumables (€9 million) rose 32% relative to Q1 2009, equalizing with their Q1 2007 level. These had begun to rise in Q4 2009 (+5%), having declined steeply over successive quarters since Q4 2008—a first in the company's history. This sharp rebound, now observable in most parts of the world, is confirmation of the recovery in production volumes at Lectra's customer firms.

Revenues and Earnings Up Sharply

Q1 2010 revenues totaled €43 million overall, up 15% relative to Q1 2009, like-for-like, and up 14% at actual exchange rates.

Revenues from new systems sales (€17.9 million) were up 31%. Recurring revenues (€25.1 million) rose by 6%, due to a combination of a 5% decrease in revenues from recurring contracts and a 32% increase in revenues from spare parts and consumables.

Income from operations amounted to a positive €2.3 million. In its management discussion published on February 11, 2010, the company stated that it expected income from operations to be slightly negative or close to breakeven. The better-than-anticipated financial results stem from a better-than-anticipated rebound in sales of spare parts and consumables, higher gross profit margins, overhead costs slightly lower than those budgeted, and more favorable exchange rates. Billings for new systems were in line with expectations, the additional orders booked being registered in the order backlog at March 31.

The margin on operations was 5.3%; it was a negative 8.5% in Q1 2009.

Like for like, income from operations rose €5.7 million relative to the €3.2 million loss on operations recognized in Q1 2009. At actual exchange rates, income from operations improved by €5.5 million, equivalent to the €5.4 million increase in revenues. This noteworthy performance stems from action taken in 2009 to boost gross profit margins and reduce overhead costs, leading to a significant improvement in the Group's operating ratios in 2010.

The company registered a net income of €1.2 million, an increase of €4.4 million at actual exchange rates, compared to a net loss of €3.2 million in Q1 2009.

Free Cash Flow Highly Positive

After €0.4 million in non-recurring disbursements resulting from reorganizational measures implemented in Q4 2009 and provisioned in the financial statements at December 31, 2009, free cash flow in Q1 2010 was €5 million.

This amount does not include the early repayment of the (French) research tax credit *(crédit d'impôt recherche)* in respect of 2009 (€6.2 million), not yet received at the date of this report.

Beyond the impact of the rise in earnings, this robust free cash flow performance can be attributed to a further reduction in the working capital requirement due, in particular, to sharply-reduced inventories at the end of 2009.

Consequently, net financial borrowings decreased by €4.7 million compared to December 31, 2009.

2. CONSOLIDATED FINANCIAL STATEMENTS FOR Q1 2010

Revenues

Q1 2010 revenues totaled €43 million, up 15% relative to Q1 2009, like-for-like, and up 14% at actual exchange rates.

The increase was 4% in Europe, 36% in the Americas, and 42% in the Asia-Pacific region. These three regions accounted for 54% (including 11% for France), 23%, and 18% of total revenues respectively. Revenues from the rest of the world, representing 5% of total Group revenues, fell 11%.

Revenues from New Systems Sales

Revenues from new software licenses (€5.4 million) increased by 17% and contributed 13% of total revenues (compared to 12% in Q1 2009).

CAD/CAM equipment revenues (€10.4 million) were up 48% and accounted for 24% of total revenues (19% in 2009).

Revenues from training and consulting (€1.9 million) were up 4%.

Overall, revenues from new systems sales (€17.9 million) increased by 31% and represented 42% of total revenues (compared to 37% in Q1 2009). This increase of 5 percentage points reflects a return to buoyant sales activity.

Revenues from Recurring Contracts and Spare Parts and Consumables

Recurring revenues (€25.1 million) increased by €1.4 million (6%). They accounted for 58% of total revenues (compared to 63% in Q1 2009).

Revenues from recurring contracts—which represented 62% of recurring revenues and 36% of total revenues—were €15.7 million. They were down 5% relative to Q1 2009. This decline stems from an unusually high cancellation rate in 2009, resulting from reduced activity levels, shutdowns and cost-cutting measures by certain customers, which had already prompted a steady quarter-by-quarter decline in this revenue component.

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

- Revenues from software evolution contracts (€7.3 million) decreased by 4% compared to 2009 and represented 17% of total revenues;
- Revenues from CAD/CAM equipment maintenance contracts and from subscription contracts to the Group's five International Call Centers decreased by 6% to €8.4 million and represented 19% of total revenues.

Meanwhile, revenues from spare parts and consumables (€9 million) grew by 32%.

Order Backlog

Despite rising sharply, Q1 revenues for new software licenses and CAD/CAM equipment are lower than orders booked in the period. As a result, the order backlog for new software licenses and CAD/CAM equipment at March 31, 2010 (€15.2 million) increased by €2.3 million relative to December 31, 2009. The increase relative to March 31, 2009, is €7 million.

The order backlog at March 31, 2010 comprised €10.5 million for shipment in the second quarter of 2010, €4.7 million over the rest of the year.

Gross Profit Margin

The overall gross profit margin worked out to 70.1%. Like-for-like, it came to 70.3%, down 0.3 of a percentage point relative to Q1 2009 (70.6%).

This variation stems from changes in the product mix, with a rise in the share of revenues from CAD/CAM equipment and spare parts and consumables in total revenues, where margins are lower than for the other revenue components. Like-for-like, gross profit margins for each product line have improved, again demonstrating their strength in the face of heavy pressure from competitors, exacerbated by the crisis.

It should be noted that 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 €27.8 million, down €1.8 million (–6%) compared to Q1 2009. They break down as follows:

- €25.6 million in fixed overheads costs and allowances, down €3 million (–10%) thanks to cost-cutting measures implemented throughout 2009 and reinforced in Q4 by means of further initiatives at the end of the year to reorganize and optimize resources, aimed at improving the company’s key operating ratios in 2010;
- €2.2 million in variable costs (+120%), an increase reflecting the growth in sales activity and earnings.

R&D costs are fully expensed in the period and included in the above-mentioned fixed overhead costs. Before deducting the (French) research tax credit and R&D program grants received, R&D costs amounted to €4.1 million and represented 9.5% of revenues (compared to €4.2 million and 11.1% in Q1 2009). The company chose to maintain its significant efforts in R&D. Net R&D costs after deduction of the research tax credit and grants amounted to €2.5 million (€2.4 million in Q1 2009).

Income from Operations and Net Income

Income from operations was €2.3 million. Like-for-like, it was €2.5 million, up €5.7 million relative to the loss from operations of €3.2 million in Q1 2009.

The margin on operations was 5.3%. Like-for-like, it worked out to 5.7% and increased by 14.2 percentage points compared to the negative margin on operations of 8.5% in Q1 2009.

Net financial expenses represent a net charge of €1.0 million. The balance of foreign exchange gains and losses was close to zero.

After an income tax charge of €0.2 million, net income was €1.2 million (compared to a net loss of €3.2 million in Q1 2009).

Net earnings per share on basic and diluted capital were €0.04, compared to a loss of €0.11 per share in Q1 2009.

Free Cash Flow

Free cash flow before non-recurring items was €5.4 million (compared to €11.7 million in Q1 2009, taking into account the advance repayment 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). On the other hand, free cash flow does not include advance repayment of the research tax credit for 2009 (€6.2 million) not yet received.

After €0.4 million in non-recurring disbursements, free cash flow was €5 million (compared to €11.6 million in 2009 after €0.1 million in non-recurring disbursements). This figure results from positive cash flow provided by operating activities of €5.3 million (of which a €3.1 million reduction in working capital requirement), and capital expenditures of €0.3 million.

Excluding the impact of research tax credits (€1.4 million were accounted for but not received in Q1 2010), free cash flow before non-recurring items was €6.8 million, while income before tax came to €1.4 million. The comparison of free cash flow performance to income before tax is the most meaningful metric, since no actual tax collection or disbursement is recognized for the period. Once again, this therefore represents a very good performance.

Shareholders' Equity – Net Financial Borrowings – Liquidity

At March 31, 2010, consolidated shareholders' equity amounted to €25.6 million (€24.7 million at December 31, 2009).

This figure is calculated after deduction of treasury shares held under the Liquidity Agreement with SG Securities (Société Générale), carried at cost, i.e. €1.3 million (€1.4 million at December 31, 2009).

Cash and cash equivalents totaled €10.7 million (€9.7 million at December 31, 2009).

Financial borrowings totaled €53.8 million (€57.5 million at December 31, 2009), 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;
- €3.8 million corresponds to the use of cash credit facilities (€7.6 million at December 31, 2009);
- €2 million corresponds to interest-free repayable government advances to finance R&D programs.

Net financial borrowings consequently totaled €43.1 million, down €4.7 million compared to December 31, 2009. Therefore, the net debt on equity ratio (gearing) is reduced from 1.93 at December 31, 2009 to 1.68 at March 31, 2010.

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).

Taking into account available cash and cash equivalents and unused confirmed cash credit facilities, total liquidity available to the company at March 31, 2010, amounted to €35.9 million on the basis of the financial statements at that date (see chapter 10.2 of the notes to this report).

Litigation Pending

In its decision of October 28, 2009, the tribunal of the International Court of Arbitration of the International Chamber of Commerce (with hearings in London) awarded Lectra €21.9 million (plus interest), in the arbitration initiated in June 2005 by Lectra against Induyco, the former shareholder of Investronica Sistemas, acquired in 2004 (see chapter 8 of the notes to this report).

Total interest awarded by the tribunal from initiation of the procedure on June 30, 2005, to the date of the decision amounts to €3.4 million, bringing the total amount of the award plus interest awarded at the date of the decision to €25.3 million. Interest accrued between October 28, 2009, and March 31, 2010, amounts to €0.2 million.

Following notification of the award, Lectra called on €15.1 million in respect of the first demand guarantees provided by Induyco 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 to challenge Lectra's demand under the demand guarantees, and in the U.K. to challenge 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.

At the date of this report, the company has not recognized in its financial statements the amount of €25.3 million awarded by the arbitral tribunal.

3. SHARE CAPITAL – OWNERSHIP – SHARE PRICE PERFORMANCE

Change in Share Capital

At March 31, 2010, 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, 2009.

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 stated 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, 2010.

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.

Treasury Shares

At March 31, 2010 the company held 1.6% of its own shares in treasury shares, solely within the framework of the Liquidity Agreement managed by SG Securities (Société Générale).

Share Price Performance and Trading Volumes

The company's share price at March 31, 2010, was €2.18, down 3% compared to December 31, 2009 (€2.25). Since January 1, 2010, the share price recorded a high of €2.30 (January 19) and a low of €1.85 (February 9). Over the same period, the CAC 40 and CAC Mid&Small190 indexes were up 1% and 8% respectively.

Although still narrow, there was a sharp rise in trading volumes: according to Euronext figures, 1.6 million shares were traded and the volume of capital traded (€3.3 million) rose sevenfold compared to the same period in 2009.

4. POST-CLOSING EVENTS

No significant event has occurred since March 31, 2010.

5. FINANCIAL CALENDAR

The Annual Shareholders' Meeting will take place on April 30, 2010.

First-half earnings for 2010 will be published on July 29, 2010, after the close of trading on Euronext.

6. BUSINESS TRENDS AND OUTLOOK

The macroeconomic outlook brightened in the first quarter of 2010. The situations in different regions and market sectors remain highly disparate. In particular, while economic indicators point to a distinct upturn in some countries, in others, the consequences of the economic and financial crisis continue to weigh heavily upon companies' activity levels, financial condition and morale.

The first signs of a recovery in sales activity observed at the end of 2009 were confirmed in Q1 2010. This was demonstrated by the clear rebound in orders for new software licenses and CAD/CAM equipment, and also in sales of spare parts and consumables, even though sales of new systems remain far behind their pre-crisis level.

It will not be until a few quarters have passed that the company will know whether the improvement in macroeconomic conditions is to last or if a further deterioration in the situation is possible. Persistently weak visibility and continuing uncertainties call for the utmost vigilance.

As stated on February 11, 2010, the two immediate imperatives are to safeguard the company's financial condition in the short term and to limit its exposure to risks.

The main uncertainty for the remainder of fiscal 2010 concerns the level of revenues from new systems sales. Although orders grew significantly in the first quarter, part of this rebound may be the result of a catch-up investment phenomenon, and it is too early to draw any lessons for the coming quarters or for the full year.

Ongoing fulfillment of the parameters of the 2010 plan, the vigorous order flow in Q1, and growth in the order backlog at March 31, 2010, all combine to reinforce expectations of a positive income from operations and net income for the second quarter and the full year, barring any further brutal deterioration in the economy.

On February 19, 2010, the company hedged its exposure to the U.S. dollar for the second quarter ($1.35/€1).

The company remains confident in the strength of its business model and its prospects for growth in the medium term. In addition, receipt of the €25.3 million awarded to the company by the International Arbitration Tribunal would halve its current net debt. 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

April 29, 2010

Company Certification of the First Quarter 2010 Report

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

Paris, April 29, 2010

Daniel Harari	Jérôme Viala
Chief Executive Officer	Chief Financial Officer

Consolidated statement of financial position

ASSETS

(in thousands of euros)	As at March 31, 2010	As at December 31, 2009	As at March 31, 2009 restated [1]
Goodwill	36,873	36,401	36,884
Other intangible assets	5,679	5,797	5,894
Property, plant and equipment	12,159	12,455	14,211
Non-current financial assets	1,485	1,492	1,497
Deferred income tax	16,047	15,573	13,487
Total non-current assets	72,243	71,718	71,973
Inventories	18,808	18,448	27,081
Trade accounts receivable	42,553	43,357	40,096
Current income tax receivable	9,089	7,773	2,554
Other current assets	12,636	10,337	12,008
Cash and cash equivalents	10,749	9,749	13,818
Total current assets	93,835	89,664	95,557
Total assets	166,078	161,382	167,530

EQUITY AND LIABILITIES

(in thousands of euros)	As at March 31, 2010	As at December 31, 2009	As at March 31, 2009 restated [1]
Share capital	27,641	27,641	27,641
Share premium	1,033	1,033	1,033
Treasury shares	(1,337)	(1,439)	(1,617)
Currency translation adjustment	(8,927)	(8,585)	(8,320)
Retained earnings and net income	7,174	6,039	6,570
Total equity	25,585	24,689	25,307
Retirement benefit obligations	3,747	3,784	3,653
Borrowings, non-current portion	41,832	42,060	49,453
Total non-current liabilities	45,579	45,844	53,106
Trade and other current payables	44,102	39,378	40,583
Deferred revenues	36,560	33,369	36,816
Current income tax liabilities	150	76	352
Borrowings	11,984	15,475	9,495
Provisions for other liabilities and charges	2,118	2,551	1,871
Total current liabilities	94,914	90,849	89,117
Total equity and liabilities	166,078	161,382	167,530

(1) In accordance with IAS 8, the impacts of the application of IFRS 8 are restated at March 31, 2009 in the consolidated statement of financial position.

Moreover down-payments from customers are now classified in “other current payables” and down-payments to suppliers in “other current assets” as at March 31, 2009.

Consolidated income statement

(in thousands of euros)	Three months ended March 31, 2010	Three months ended March 31, 2009
Revenues	42,962	37,591
Cost of goods sold	(12,853)	(11,058)
Gross profit	30,109	26,533
Research and development	(2,527)	(2,410)
Selling, general and administrative expenses	(25,297)	(27,332)
Income (loss) from operations	2,285	(3,209)
Financial income	30	57
Financial expense	(985)	(1,035)
Foreign exchange income (loss)	54	(125)
Income (loss) before tax	1,384	(4,312)
Income tax	(228)	1,159
Net income (loss)	1,156	(3,153)

(in euros)		
Earnings per share		
- basic	0.04	(0.11)
- diluted	0.04	(0.11)
Shares used in calculating earnings per share		
- basic	28,048,687	28,108,992
- diluted	28,048,687	28,108,992

Statement of comprehensive income

(in thousands of euros)	Three months ended March 31, 2010	Three months ended March 31, 2009
Net income (loss)	1,156	(3,153)
Currency translation adjustment	(342)	(277)
Effective portion of the change in fair value of currency hedges	(14)	982
Effective portion of the change in fair value of interest-rate swaps	28	(693)
Tax effect on the comprehensive income items	(5)	(96)
Comprehensive income (loss)	823	(3,237)

Consolidated statement of cash flows

(in thousands of euros)	Three months ended March 31, 2010	Three months ended March 31, 2009
I - OPERATING ACTIVITIES		
Net income (loss)	1,156	(3,153)
Depreciation and amortization	1,093	1,901
Non-cash operating expenses	144	195
Loss (profit) on sale of fixed assets	(17)	-
Changes in deferred income taxes, net value	(222)	(1,369)
Changes in inventories	(329)	1,132
Changes in trade accounts receivable	3,083	7,539
Changes in other current assets and liabilities	395	6,022
Net cash provided by (used in) operating activities	5,303	12,267
II - INVESTING ACTIVITIES		
Purchases of intangible assets	(158)	(419)
Purchases of property, plant and equipment	(159)	(419)
Proceeds from sales of intangible assets and property, plant and equipment	15	139
Purchases of financial assets	(77)	(157)
Proceeds from sales of financial assets	124	169
Net cash provided by (used in) investing activities	(255)	(686)
III - FINANCING ACTIVITIES		
Purchases of treasury shares	(77)	(119)
Sales of treasury shares	75	-
Proceeds from borrowings	-	-
Repayments of borrowings	-	-
Net cash provided by (used in) financing activities	(2)	(119)
Increase (decrease) in cash and cash equivalents	5,046	11,462
Cash and cash equivalents at the opening [(1)]	2,149	(6,725)
Increase (decrease) in cash and cash equivalents	5,046	11,462
Effect of changes in foreign exchange rates	(247)	(219)
Cash and cash equivalents at the closing [(1)]	6,948	4,518
Free cash flow before non-recurring items	5,424	11,661
Non-recurring items of the free cash flow	(376)	(80)
Free cash flow	5,048	11,581
Income tax paid [(2)]	45	289
Interest paid	738	857

(1) After deducting the amount of cash credit facilities used of €3,800,000 at March 31, 2010, €7,600,000 at December 31, 2009, €9,300,000 at March 31, 2009 and € 16,900,000 at December 31, 2008.

(2) This amount does not include repayments of (French) research tax credit

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, 2009	28,495,514	0.97	27,641	1,033	(1,498)	(8,043)	9,471	28,604
Net income (loss)							(3,153)	(3,153)
Other comprehensive income (loss)						(277)	193	(84)
Comprehensive income (loss)						(277)	(2,960)	(3,237)
Fair value of stock options							59	59
Sale (purchase) of treasury shares					(119)			(119)
Balances at March 31, 2009	28,495,514	0.97	27,641	1,033	(1,617)	(8,320)	6,570	25,307
Balances at January 1, 2009	28,495,514	0.97	27,641	1,033	(1,498)	(8,043)	9,471	28,604
Net income (loss)							(3,623)	(3,623)
Other comprehensive income (loss)						(542)	20	(522)
Comprehensive income (loss)						(542)	(3,603)	(4,145)
Fair value of stock options							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
Net income (loss)							1,156	1,156
Other comprehensive income (loss)						(342)	9	(333)
Comprehensive income (loss)						(342)	1,165	823
Fair value of stock options							40	40
Sale (purchase) of treasury shares					102			102
Profit (loss) on treasury shares							(70)	(70)
Balances at March 31, 2010	28,495,514	0.97	27,641	1,033	(1,337)	(8,927)	7,174	25,585

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT MARCH 31, 2010

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 210 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 condensed consolidated financial statements at March 31, 2010 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 2009, available on the company's Web site (www.lectra.com)

The financial statements at March 31, 2010 have been prepared in accordance with the same rules and methods as those applied in the preparation of the 2009 financial statements.

The Group has applied the following standards adopted by the European Union and applicable to fiscal years since January 1, 2009:

The standards and interpretations adopted in 2010 had no impact on the Group's financial statements, i.e.:

- IFRS 3 revised – Business combinations;
- IAS 39 Amendment – Eligible hedged items;
- IAS 39 and IFRIC 9 Amendments – Reassessment of embedded derivatives;
- IFRS 1 revised – First-time adoption of IFRS;
- IFRS 2 Amendments – Group cash-settled share-based payment transactions.

The French 2010 Budget Act, enacted on December 30, 2009, abolished the *Taxe Professionnelle* (business tax on French tax entities) with effect from 2010. This tax was replaced by two new contributions, namely the *Cotisation Foncière des Entreprises* (CFE—tax assesed on the rental value of properties) and the *Cotisation sur la Valeur Ajoutée des Entreprises* (CVAE—Tax on corporate value added). The Group has taken the view that the aforementioned tax changes amount in fact to replacement of the *Taxe Professionnelle* by two new taxes of different natures, namely:

- The CFE, whose amount varies according to the rental value of properties, which may, in certain cases, be capped at a percentage of the value added, is similar to the *Taxe Professionnelle* in significant aspects. Like the latter, it is recognized in operating expenses in 2010;

- The CVAE, which, as analyzed by the Group, satisfies the definition of an income tax as set forth in IAS 12.2 — Income taxes based on taxable profit. In analyzing this tax, the Group has referred in particular to the IFRIC interpretations concerning the scope of application of IAS 12— Income taxes. The IFRIC has stated that, to come within the scope of IAS 12, a tax must be calculated on the basis of a net amount of revenues and expenses, and that this net amount may differ from net income. The Group has taken the view that the CVAE satisfied these criteria insofar as value added constitutes the intermediate level of income that systematically serves as the basis for determining the amount of the CVAE under French tax rules.

As prescribed in IAS 12, the decision to treat the CVAE as income tax led to recognition by the Group, as at December 31, 2009, of 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 before they became mandatory, any standards or interpretations whose application is not required for fiscal years starting January 1, 2010.

Comparisons identified as "like-for-like" correspond to 2010 figures restated at 2009 exchange rates, in comparison with actual data for 2009.

There was no change in the scope of consolidation in 2010.

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 policies. Although such estimates are made in a particularly uncertain environment, the Group's business model supports their relevance. 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.

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 equipment sold, and a share of depreciation of the manufacturing facilities.

Cost of goods sold 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 the recognition of R&D costs in assets at the moment they occur are not met, and R&D costs are therefore expensed in the year in which they are incurred.

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:

- interest-bearing bank loans;
- non-interest bearing reimbursable advances corresponding to R&D grants.

The current portion of borrowings and financial debt comprises:

- the portion of bank loans, reimbursable advances and other borrowings and financial debt due in less than one year;
- cash 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).

Operating segments

Operating segment reporting is based directly on the company’s performance tracking and review systems. The operating segments presented in note 6 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 Northern 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 R&D. 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 before non-recurring items and impairment of assets, if any. Marketing regions derive their revenues from external customers; 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.

3. SCOPE OF CONSOLIDATION

At March 31, 2010, the Group's scope of consolidation comprised Lectra S.A. together with 26 fully-consolidated companies.

Five sales and service subsidiaries are not consolidated, their revenues being immaterial both separately and in the aggregate. At March 31, 2010, their combined revenues totaled €0.4 million, and their combined assets in their balance sheet totaled €1.8 million. They had no non-Group financial debt.

Most of these subsidiaries' sales activity is billed directly by the parent company, Lectra SA.

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

	Three Months Ended March 31				
	2010		2009	Changes 2010/2009	
(in thousands of euros)	Actual	At 2009 exchange rates	Actual	Actual	Like-for-like
Revenues	42,962	43,330	37,591	+14%	+15%
Cost of goods sold	(12,853)	(12,889)	(11,058)	+16%	+17%
Gross profit	30,109	30,441	26,533	+13%	+15%
(in % of revenues)	70.1%	70.3%	70.6%	-0.5 point	-0.3 point
Research and development	(2,527)	(2,527)	(2,410)	+5%	+5%
Selling, general and administrative expenses	(25,297)	(25,426)	(27,332)	-7%	-7%
Income (loss) from operations	2,285	2,488	(3,209)	ns	ns
(in % of revenues)	5.3%	5.7%	-8.5%	+13.8 points	+14.2 points
Profit (loss) before tax	1,384	1,587	(4,312)	ns	ns
Income tax	(228)	na	1,159	ns	na
Net income (loss)	1,156	na	(3,153)	ns	na

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

Revenues by geographic region

	Three Months Ended March 31						
	2010			2009		Changes 2010/2009	
(in thousands of euros)	Actual	%	At 2009 exchange rates	Actual	%	Actual	Like-for-like
Europe, of which :	23,240	54%	23,157	22,242	59%	+4%	+4%
- France	4,769	11%	4,769	3,827	10%	+25%	+25%
Americas	9,832	23%	10,166	7,475	20%	+32%	+36%
Asia-Pacific	7,786	18%	7,996	5,616	15%	+39%	+42%
Other countries	2,104	5%	2,011	2,258	6%	-7%	-11%
Total	42,962	100%	43,330	37,591	100%	+14%	+15%

Revenues by product line

	Three Months Ended March 31						
	2010			2009		Changes 2010/2009	
(in thousands of euros)	Actual	%	At 2009 exchange rates	Actual	%	Actual	Like-for-like
Software, of which :	12,660	29%	12,709	12,257	33%	+3%	+4%
- New licenses	5,399	13%	5,428	4,643	12%	+16%	+17%
- Software evolution contracts	7,261	17%	7,281	7,614	20%	-5%	-4%
CAD/CAM equipment	10,392	24%	10,639	7,196	19%	+44%	+48%
Hardware maintenance and on-line services	8,842	21%	8,879	9,297	25%	-5%	-4%
Spare parts and consumables	8,965	21%	9,006	6,829	18%	+31%	+32%
Training and consulting services	1,942	5%	1,937	1,859	5%	+4%	+4%
Miscellaneous	161	0%	160	153	0%	+6%	+5%
Total	42,962	100%	43,330	37,591	100%	+14%	+15%

Breakdown of revenues between new systems sales and recurring revenues

	Three Months Ended March 31						
	2010			2009		Changes 2010/2009	
(in thousands of euros)	Actual	%	At 2009 exchange rates	Actual	%	Actual	Like-for-like
Revenues from new systems sales[1]	17,894	42%	18,164	13,852	37%	+29%	+31%
Recurring revenues[2], of which :	25,068	58%	25,166	23,739	63%	+6%	+6%
- Recurring contracts	15,658	36%	15,716	16,572	44%	-6%	-5%
- Other recurring revenues on the installed base	9,410	22%	9,450	7,167	19%	+31%	+32%
Total	42,962	100%	43,330	37,591	100%	+14%	+15%

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

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

6. OPERATING SEGMENT INFORMATION

(in thousands of euros) As at March 31, 2009	Europe	Americas	Asia-Pacific	Other countries	Corporate segment	Total
Revenues	22,241	7,475	5,616	2,259	-	37,591
Income (loss) from operations	(92)	(793)	(1,008)	160	(1,476)	(3,209)
Segment assets	75,055	19,147	11,611	6,431	55,286	167,530
- of which goodwill	*28,669*	*6,514*	*1,333*	*368*	-	*36,884*
Net segment assets [(1)]	50,522	12,375	7,935	4,596	55,286	130,714

(in thousands of euros) As at March 31, 2010	Europe	Americas	Asia-Pacific	Other countries	Corporate segment	Total
Revenues	23,239	9,832	7,786	2,105	-	42,962
Income (loss) from operations	1,637	(38)	(53)	309	430	2,285
Segment assets	74,860	20,685	13,119	4,917	52,497	166,078
- of which goodwill	*28,729*	*6,433*	*1,343*	*368*	-	*36,873*
Net segment assets [(1)]	51,091	13,529	9,374	3,027	52,497	129,518

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

Segment assets reported for each operating segment correspond to the gross assets of the segment. Net segment assets correspond to segment assets less deferred revenues. The method of billing and collection for recurring contracts may lead to an increase in accounts receivable, with an offsetting entry in deferred revenues. 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 Group's consolidated financial statements and therefore does not require reconciliation.

The deterioration in the loss from operations in the Corporate segment at March 31, 2009 was due to the sharp decline in regional segments' revenues during the first quarter of 2009, because the share of gross margin on revenue allocated to this operating segment was 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	5.4	-	5.4
Non-recurring items included in free cash flow	(0.4)	-	(0.4)
Sale and purchase of treasury shares[1]	-	-	-
Change in borrowings	-	-	-
Impact of currency variations – other	(0.2)	-	(0.2)
Change in cash position for the period	4.8	-	4.8
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)
Situation at March 31, 2010 (statement of financial position)	10.7	(53.8)	(43.1)
Use of cash credit facilities	(3.8)	3.8	-
Situation at March 31, 2010 (cash flow statement)	6.9	(50.0)	(43.1)

(1) Carried out solely under the Liquidity Agreement administered by SG Securities (Société Générale) in the framework of the stock buyback program approved by the April 30, 2009 General Shareholders' Meeting.

The working capital requirement fell by €3.1 million. Excluding the impact of the (French) research tax credit amounting to €1.4 million recognized in the first quarter but not received, the decline in working capital requirement comes to €4.5 million. This change flows primarily from a further decline of €3.1 million in trade accounts receivables.

8. LITIGATION PENDING

The international arbitral tribunal awarded 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).

Total interest awarded by the tribunal from initiation of the procedure on June 30, 2005, to the date of the decision amounts to €3.4 million, bringing the total amount of the award plus interest awarded at the date of the decision to €25.3 million. Interest accrued between October 28, 2009, and March 31, 2010, amounts to €0.2 million.

Following notification of the award, Lectra called on €15.1 million in respect of the aforesaid first demand bank guarantees provided by Induyco, 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 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 to challenge Lectra's demand under the demand guarantees, and in the U.K. to challenge 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

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 U.K., whose effect will be to delay any receipt of payment of the award by Lectra, the company has not recognized in its 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, 2009, 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 U.K., 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 March 31, 2010 amounts to €10.5 million. Of this amount, €4.2 million were expensed as operating expenses in 2005 and 2006; €5.7 million incurred from January 1, 2006 to October 28, 2009 were recognized in current assets in the statement of financial position; finally, €0.6 million has been recognized in operating expenses since publication of the judgment on October 28, 2009, of which €0.2 million in Q1 2010. 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.

Legal fees and costs of the new legal proceedings instituted by Induyco in Spain and the UK since October 28, 2009 are expensed directly in charges over the period in which the corresponding proceedings take place.

As almost all (€10.2 million) of the costs incurred by Lectra have already been paid, the execution of the arbitral decision will result in a cash inflow equal to the total amount of the award (plus interest since the date of the decision).

9. TREASURY SHARES

Under the Liquidity Agreement administered by SG Securities (Paris), in Q1 2010, the company purchased 37,663 shares and sold 36,303 shares at an average purchase price of €2.05 and €2.06, 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 Shareholders' Meeting on April 30, 2009.

Consequently, at March 31, 2010, the company held 443,906 Lectra shares (or 1.6% of share capital) with an average purchase price of €3.01 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 by 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.

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 limit its capital expenditures to €10 million per year and the dividends distributed to 50% of the consolidated net income for the year elapsed, subject to certain conditions (if less than 50% of consolidated net income for a given year has been 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 at March 31, 2010 is 6.07%.

10.2 Liquidity

The table below summarizes the cash position, confirmed cash credit facilities available to the company, and its net financial debt, at March 31, 2010:

(in thousands of euros)	Limits	Utilizations	Available Amounts
Confirmed cash credit facilities			
- Until July 31, 2010	15,000	3,800	11,200
- Until June 15, 2011	4,000	-	4,000
- Until June 23, 2011	10,000	-	10,000
Total	29,000	3,800	25,200
Bank loan	48,000	48,000	-
Non-interest bearing repayable advances	2,015	2,015	-
Total financial debts	79,015	53,815	25,200
Cash and cash equivalents			10,749
Total	79,015	53,815	35,949

Based on cash and cash equivalents available and credit facilities drawn at March 31, 2010, the company has access to a total of €35.9 million to cover its liquidity needs.

Finally, the French Government announced that the early repayment of the research tax credit, one of the measures contained in its economic stimulus plan, is extended to 2010, and that this measure will apply to the research tax credit recognized by companies in respect of 2009. Reimbursement has been applied for and should lead the company to receive a repayment of €6.2 million in the second quarter of 2010 as a result of this measure.

10.3 Borrowings and Financial Debt

Schedule of borrowings at March 31, 2010, 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
Bank loan	7,680	40,320	-	48,000
Interest-free repayable advances (1)	504	1,512	-	2,015
Cash facilities	3,800	-	-	3,800
Total	11,984	41,832	-	53,815

(1) The repayable advances correspond to public grants to finance R&D 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 payable on the loan (3-month Euribor rate) into a fixed rate via two interest-rate swaps contracts. The interest-rate has been hedged on the basis of the best estimate of the amount of the loan over the different periods covered, having due regard to the contract terms.

Since the face value of these swaps remains lower than the face value of the loan, they meet the hedge accounting criteria as defined by IFRS. Their fair value at March 31, 2010 is 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. The effective portion, corresponding to their full fair value, is entirely recognized in shareholders' equity. No ineffective part has been booked in net financial expenses at March 31, 2010.

12. CURRENCY RISK

The Group's exposure to currency risks and its currency risk management policy are unchanged relative to December 31, 2009.

The average dollar/euro parity for the first quarter 2010 was $1.38/€1.

On February 19, 2010, the company hedged its exposure to the U.S. dollar for the second quarter ($1.35/€1).

Exchange Risk Hedging Instruments

Exchange risk hedging instruments at March 31, 2010 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 €12.1 million.

13. SENSITIVITY ANALYSIS

Sensitivity of Revenues and Income from Operations to a Change in the Revenues from New Systems Sales

Under the company's business model, each €1 million increase (or decrease) in revenues from new systems sales results in a rise (or fall) in income from operations of approximately €0.4 million.

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

The average parity assumed for the 2010 budget is $1.50/€1 (versus an actual parity of $1.39/€1 in 2009).

On an annualized basis, 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.

14. 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 diluted capital.

The exercise price of all of the options was above 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.