

## First Half 2009

- Revenues: €74.8 million (–30%)\*
- Loss from operations: –€5.5 million
- Net loss: –€4.4 million
- Free cash flow: +€8.3 million

\* like-for-like

(in millions of euros)	April 1 - June 30 <sup>(3)</sup>		January 1 - June 30	
	2009	2008	2009	2008
Revenues	37.2	50.8	74.8	102.8
<i>Change like-for-like</i> <sup>(1)</sup>	-29%		-30%	
Income (loss) from operations	(2.3)	1.3	(5.5)	2.9
<i>Change like-for-like</i> <sup>(1)</sup>	(4.1)		(9.2)	
Net income (loss)	(1.2)	0.9	(4.4)	1.6
Free cash flow	(3.3)	(0.6)	8.3	(1.7)
Shareholders' equity <sup>(2)</sup>			24.4	28.6
Net financial borrowing <sup>(2)</sup>			48.5	56.4

<sup>(1)</sup> Like-for-like: 2009 figures restated at 2008 exchange rates

<sup>(2)</sup> At June 30, 2009 and December 31, 2008

<sup>(3)</sup> Isolated data for Q2 2009 and Q2 2008 have not been reviewed by the Statutory Auditors

**Paris, July 30, 2009.** Today, Lectra's Board of Directors, chaired by André Harari, reviewed the consolidated financial statements for the first half of 2009, after a limited review by the Statutory Auditors.

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

## Q2 2009

### Orders Remain Weak

Business conditions remained persistently weak in the second quarter and visibility was again limited. The poor state of many customer firms has shown no sign of improvement since Q4 2008.

Against this background, Lectra's sales activity was again sluggish, with orders for new software licenses and CAD/CAM equipment amounting to €10.6 million, practically unchanged from Q1 2009. Orders were down 54% overall compared to Q2 2008.

Orders for spare parts and consumables have continued to fall sharply due to significantly lower production levels and plant closures, a trend seen for the first time in Q4 2008 and again in Q1 2009.

Q2 2009 revenues (€37.2 million) are roughly the same as in Q1 2009. At actual exchange rates, they were down 27% relative to Q2 2008, and 29% like-for-like.

Revenues from new systems sales (€12.8 million) were down 50%. Recurring revenues (€24.4 million) decreased by 10%.

## Key Operating Ratios Improve

As the company forecast on April 29, 2009, Q2 income from operations was negative at –€2.3 million (versus –€3.2 million for Q1 2009). The loss on operations has continued to be limited by the impact of measures to cut fixed overhead expenses, initiated in 2008 and reinforced in Q2 2009, and the improvement of the gross margin by 4.4 points.

The company registered a net loss of €1.2 million (versus –€3.2 million in Q1 2009). The company had partially hedged its estimated exposure to the U.S. dollar and the Japanese yen, which resulted in a net foreign exchange gain.

Free cash flow was negative at –€3.3 million. Excluding the impact of (French) research tax credits (*crédit d'impôt recherche*) recognized for the period but not received (€1.6 million), free cash flow was negative at –€1.7 million.

## First Half 2009

### Revenues from New Systems Sales Decrease Sharply – Recurring Revenues Decline

Sales activity was particularly weak in the first half of 2009, within seriously hostile and uncertain macroeconomic conditions. Overall, orders for new software licenses and CAD/CAM equipment (€20.9 million) were down 52% relative to the first half of 2008.

Revenues totaled €74.8 million, down 27%, like-for-like, compared to the first half of 2008. They were down 30% at actual exchange rates. Revenues from new systems sales (€26.7 million) fell 50%. Recurring revenues (€48.1 million) decreased by 9%, as a result of stable revenues from recurring contracts (€32.9 million) and a decrease of 24% in revenues from spare parts and consumables (€14.4 million).

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

The order backlog for new software licenses and CAD/CAM equipment at June 30 (€8.1 million) is down by €1 million relative to December 31, 2008.

### Gross Margin Improves – Overhead Costs Decline

The overall gross margin (71%) was up 4.7 percentage points relative to the first half of 2008, like-for-like.

Total overhead costs (€58.5 million) were down €7.4million (–12%).

Despite the economic crisis, the company has continued to invest heavily in research and development. R&D costs are fully expensed in the period and included in the above-mentioned fixed overheads. Before deducting the (French) research tax credit and R&D program grants received, these costs amounted to €8.3 million (versus €9.6 million in the first half of 2008).

Income from operations was negative at –€5.5 million, down €9.2 million, like-for-like.

After an income tax gain of €2.4 million, net loss was €4.4 million, down €5.9 million, at actual exchange rates.

## Free Cash Flow Highly Positive

Free cash flow was positive at €8.3 million. 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, as part of measures announced by the French government on December 4, 2008, under its economic stimulus plan.

Excluding the impact of the research tax credits, free cash flow was negative at –€3 million, while net loss was €4.4 million, which represents a satisfactory performance in the circumstances. This results notably from a €0.9 million reduction in working capital requirement.

## Business Trends and Outlook

On February 12, 2009, at the moment of the publication of its financial results for Q4 2008, the company explained that 2009 would be a difficult year for Lectra, as for all companies worldwide, and that it had opted not to formulate any estimates regarding its outlook for 2009, given the total lack of visibility.

Macroeconomic conditions have remained unchanged and the current climate continues to call for the utmost vigilance. Economic conditions are likely to remain persistently gloomy, with continuing weak orders over the second half of the year.

On April 29, at the moment of the publication of its financial results for Q1 2009, the company stated that, for 2009, if orders for new systems over the next three quarters remain at their Q1 level, corrected solely for seasonal variations in Lectra's activities, they could decline by around 30% relative to 2008.

Q2 sales activity shows that the crisis is diminishing this seasonal character. If these conditions persist, the decline over the year could reach 35% to 40% relative to 2008 (representing a 55% to 60% decline relative to 2007).

In addition, the worse-than-expected weakness in signatures of new recurring contracts to offset cancelations, combined with a persistent decline in sales of spare parts and consumables in the second half, could cause a further fall in recurring revenues for the year from 8% to 10%, compared to an estimated 6% to 8% at April 29.

At the same time, additional cost-cutting measures implemented as of April 2009 will have a still greater impact in the second half, further lowering the breakeven point.

On the basis of these assumptions, the company expects to see a smaller loss from operations in Q3 compared to that reported in Q2 2009. In the fourth quarter, the company should be close to breakeven, or may generate a small income from operations.

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

Finally, with the benefit of the early receipt of research tax credits in Q1 2009, free cash flow before non-recurring items should remain positive in 2009 under all scenarios for income.

*Q3 2009 results will be published on October 28, 2009, after the close of Euronext Paris.*

*The Management Discussion and Analysis of Financial Condition and Results of Operations for the first half 2009 are available on [lectra.com](http://lectra.com).*

*With nearly 1,500 employees worldwide, Lectra is the world leader in software, CAD/CAM equipment and related services dedicated to large-scale users of textiles, leather and industrial fabrics. Lectra addresses a broad array of major global markets including fashion (apparel, accessories, and footwear), automotive (car seats and interiors, airbags), and furniture, as well as a wide variety of other industries, such as the aeronautical and marine industries, wind power, etc.*

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

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