# Press release

Contact : Nathalie Gerbal
e-mail : n.gerbal@lectra.com
Tél : +33 (0)1 53 64 42 37 - Fax : +33 (0)1 53 64 43 40

# First Nine Months of 2008

- Revenues: €150.9 million (unchanged)(*)
- Income from operations: €5.1 million (+5%)(*)
- Net income: €2.8 million (–€2 million)

*(*) like-for-like*

| (in millions of euros) | July 1 - September 30 | | January 1 - September 30 | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| Revenues | 48.1 | 52.3 | 150.9 | 156.5 |
| *Revenues like-for-like [1]* | *49.5* | *52.3* | *156.9* | *156.5* |
| *Change like-for-like [1]* | *-5%* | | *0%* | |
| Income from operations | 2.2 | 4.2 | 5.1 | 7.6 |
| *Income from operations like-for-like [1]* | *2.8* | *4.2* | *8.0* | *7.6* |
| *Change like-for-like [1]* | *-34%* | | *+5%* | |
| Net income | 1.2 | 2.4 | 2.8 | 4.8 |
| Free cash flow before non-recurring items[2] | (5.4) | (5.4) | (5.9) | (7.9) |
| Equity[3] | | | 29.0 | 26.3 |
| Net financial borrowing[3] | | | 58.8 | 50.8 |

*[1] Like-for-like: 2008 figures restated at 2007 exchange rates*

*[2] Non-recurring components of free cash flow: net disbursement of €0.4 million in Q3 2008 and €1.6 million for the nine months 2008 (€2 million in Q3 2007 and €5.2 million for the nine months of 2007)*

*[3] At September 30, 2008 and December 31, 2007*

**Paris, October 28, 2008**. The Board of Directors of Lectra, chaired by André Harari, today reviewed the unaudited consolidated financial statements for the third quarter and first nine months of 2008.

*(Detailed comparisons between 2008 and 2007 are like-for-like)*

## Q3 2008: Orders Decline as Markets Slow Sharply

After the upsurge in uncertainty in July, the nature and unprecedented scale of the financial, stock market, and banking crisis in September led directly to a further and brutal deterioration in macroeconomic conditions. All sectors of the real economy are now suffering worldwide. Consequently, a growing number of customers postponed their investment decisions. This situation prevails in all of the company's market sectors and geographical markets, for manufacturers as well as for brands, contractors, and subcontractors.

As a result, Q3 orders were down 34% (–€8 million) overall compared to Q3 2007.

Q3 2008 revenues amounted to €48.1 million, down 5% relative to Q3 2007. At actual exchange rates they were down 8%. Revenues from new systems sales (€22.6 million) declined 13%, while recurring revenues (€25.6 million) increased 3%.

Income from operations amounted to €2.2 million. Like-for-like, income from operations amounted to €2.8 million, down €1.4 million or 34% compared to Q3 2007.

Net income was €1.2 million, down €1.1 million at actual exchange rates compared to Q3 2007.

Free cash flow before non-recurring items was negative at –€5.4 million, unchanged from Q3 2007. Free cash flow after non-recurring items was negative at –€5.8 million, compared to a negative €7.4 million in 2007.

## First Nine Months of 2008: Income from Operations Holds Up Well

Orders for new software licenses and CAD/CAM equipment are down 25% (–€19.9 million) relative to the first nine months of 2007.

With an average parity of $1.52/€1 for the first nine months of 2008, the U.S. dollar was down 12% compared to the first nine months of 2007. This change mechanically reduced the various revenue components by 4% and income from operations by €2.9 million.

Revenues for the first nine months of 2008 (€150.9 million) was unchanged, like-for-like, from the first nine months of 2007. They were down 4% at actual exchange rates.

Revenues from new systems sales (€73.8 million) fell by 3%. Recurring revenues (€77.1 million) increased by €3.1 million (+4%), versus the company's expectations of 6–7%. This weaker growth resulted from a rate of cancellations exceeding the statistical record, as a direct consequence of worsening macroeconomic conditions.

Recurring revenues again demonstrated their role as a key factor in the company's stability, in Lectra's business model, acting as a cushion in periods of economic slowdown.

Because revenues exceeded orders booked in the period, the order backlog for new software licenses and CAD/CAM equipment at September 30 (€11.3 million) is down by €8.5 million relative to December 31, 2007. The order backlog includes €7.8 million for shipment in the fourth quarter of 2008 and €3.5 million in 2009 and 2010.

The overall gross margin (65.7%) declined 1.3 percentage point relative to the first nine months of 2007, due primarily to differences in the product and country mix.

The company maintained a tight grip on overhead costs, down 2%, while an increase of 3% was anticipated at the beginning of the year.

Income from operations amounted to €5.1 million. On a like-for-like basis, income from operations worked out to €8.0 million, up €0.4 million (+5%). The operating margin was 3.4% (5.1% on a like-for-like basis, or an increase of 0.3 percentage point relative to 2007).

Free cash flow before non-recurring items was negative at –€5.9 million, an improvement of €2 million compared to the first nine months of 2007. Free cash flow after non-recurring disbursements was a negative €7.5 million.

## Outlook for Q4 2008

Economic conditions look likely to remain very gloomy over the coming months. The weakness of orders is thus liable to last. However, the company considers that it is not in a position to estimate at this moment the extent of their decline, as visibility is particularly low.

The company has adopted an especially cautious stance in light of this situation, further tightening its grip on overheads. These will continue to decline relative to Q4 2007.

Against this background, in light of the order backlog's weakness at September 30, Q4 revenues are expected to fall by around 20% like-for-like, and income from operations should nevertheless remain positive or be close to breakeven.

The company will communicate its view of the outlook for 2009 in February 12, 2009 when releasing its Q4 and full-year 2008 financial results. This view will take account of macroeconomic developments and trends in its own activities observed between now and then. While the financial crisis and its global fallout continue to hurt the company's sales activity, the dollar's rise, if it persisted, would conversely have a double positive impact—mechanically on the company's business activity and earnings, and by reinforcing its competitiveness.

The company remains confident in the strength of its business model and its medium-term growth prospects once the crisis is over.

The Management Discussion and Analysis of Financial Condition and Results of Operations for the first nine months of 2008 are available at www.lectra.com.

*With 1,550 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 B).*

*www.lectra.com*