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Lectra and Innovation

Lectra Among 17 European Companies Chosen to Participate in 'A New Look At Innovation'—a Report Prepared by the ESCP-Europe at the Request of Christine Lagarde, French Minister For Economic Affairs, Industry and Employment.

Paris, May 27, 2009 – Lectra, the world leader in integrated technology solutions dedicated to industries using soft materials—textiles, leather, industrial fabrics, and composite materials—, is one of 17 European companies chosen to participate in the report 'A New Look at Innovation,' presented on April 30 to Christine Lagarde, French Minister for Economic Affairs, Industry and Employment.

To coincide with the French presidency of the European Union, "Europe takes action to meet today's challenges" (July 1 to December 31, 2008), the report was written by Pascal Morand, CEO of ESCP Europe (European School of Management) and Professor of Economics, and Delphine Manceau, Professor of Marketing at ESCP Europe and innovation marketing specialist. The result of a collaborative working process led by the report's authors in conjunction with teachers at ESCP Europe as well as other academic experts, the document incorporates testimonials from 24 CEOs and senior executives of 17 French and European companies. These business leaders were consulted by the writers in order to glean their overall view and perception of innovation, to collect their ideas about factors for success and failure, and to document strategies for innovation implemented within their own companies. Companies were chosen from extremely diverse market sectors, some with a strong technological bent, others less so, all of varying sizes—from young, innovative companies to global corporations. The firms selected were singled out for their great capacity for innovation and their success in international markets—among the 17 chosen were: Hermès, l'Occitane, l'Oréal, PSA Peugeot Citroën, Orange, Scania, Sony Europe, Total and Lectra.

The aim of the report is to propose "a wider definition of innovation which goes beyond research and development and integrates all other business factors," and also to establish "indicators that enable, within the framework of an update of the Lisbon strategy, better measurement of the results of innovation policies implemented by member states and institutions of the European Union."

Arguing for a wider vision of innovation that does not stop at R&D but integrates work done on business practices, economic models, design and marketing, the report makes a number of points that favor European firms' capacity for innovation. It also proffers new indicators for measuring capacity for innovation and presents 10 points of action destined for public authorities as well as member states and institutions of the European Union.

"With innovation an essential factor in economic competitiveness, it cannot be limited to just research and patents," say Morand and Manceau. "In an age of globalization, investment in research is just not enough. Innovation only creates value and revenues for companies and for the economy if it filters into the business and operating activities of firms."

The observations, ideas and conclusions presented in this report coincide, for the most part, with the attitude, approach and innovation strategies Lectra has implemented every day since its inception—and which have propelled it to global leadership.

“André Harari, Chairman of the Board of Directors, and I are both extremely honored to have been consulted for the creation of this comprehensive report which adopts such an original approach, presentation and conclusion,” said Daniel Harari, Lectra CEO. “We were very happy to share our 33 years of experience and to contribute to the writers’ research. In 1976, when André, then one of the pioneers of venture capital in France, met Lectra’s two founders, the company employed fewer than 10 people—he raised the initial capital necessary to implement the company’s development plan. We hope to help other companies realize that innovation, in all its forms, is a key factor for competitiveness of European companies and for their success in world markets. We are very proud to ally ourselves with the report, initiated by Christine Lagarde and the French government. For us, being chosen to take part in this project is recognition of Lectra’s success and a clear indication of our place in this country’s industry.”

Lectra: a passion for innovation

Since its inception, Lectra’s passion for innovation has led it to channel all its expertise and creative energy into one single objective. It aims to support its customers—whether they operate in the fashion, automotive, furniture, aeronautical, wind energy, or personal protective equipment sector—in an ever more demanding world without geographic and cultural boundaries, where tough competition exerts incessant pressure on prices, production cycles and creativity.

Lectra considers innovation to be its overriding business strategy that clearly fuels its business model and thus its competitiveness. Established as one of Lectra’s five key values, along with leadership, entrepreneurship, excellence and customer care—other essential values outlined in the report—innovation has always been the pillar of Lectra’s identity. The company’s main strength lies in the long-term, value-creating relationships it creates with customers to help them face new strategic challenges and which have enabled Lectra to become world number one in its sector. Lectra has consistently demonstrated its commitment to being a forerunner in its field. Today’s technological advances and the development of future improvements are the result of Lectra’s ability to anticipate. With experience and expertise in their customers’ business activities, Lectra’s teams are able to analyze their challenges, identify their needs, support their evolution, and bring them state-of-the-art solutions. Lectra invests heavily in R&D—€18 million in 2008, representing 9% of its revenues; 15% of its workforce are allocated to R&D, with a team of 220 specialized engineers, of which 200 are in France.

A marketing strategy to accompany innovation—the importance of which is highlighted in the report—enables Lectra’s 23,000 customers, spread across 100 countries, to implement technologies, roll them out, and optimize their use. Lectra presents innovative solutions combining equipment, software and services and which cover design, production and product lifecycle management. They help customers manufacture faster and better, while reducing costs and allowing all participants in the process to collaborate using secure, electronic methods. For Lectra, the best way to encourage innovation uptake is to support its customers’ change management in order to promote renewal of solutions, guide progressive evolution of their implementation, and encourage optimal use of technology.

For the writers of this report, “Diversity within teams generates open-mindedness and curiosity for difference...and a new approach to subjects, which stimulates creativity.” Diversity is indeed an important vector for innovation at Lectra, hence the extremely varied sociological and cultural backgrounds of its personnel. A workforce made up of 55 different nationalities across 31 international subsidiaries—a total of 1,500 partners worldwide—certainly prompts the company to look at things from a unique angle.

The report also highlights, “the important role of different ways of thinking and of viewing risk and failure...Innovation is mainly about perception, firstly, because it forces teams to re-think a company’s products and activities, and, more importantly, because it requires audacity and a high level of risk-taking.” A capacity for encouraging initiative and capitalizing on past successes and failures is one of the fundamental strategies by which Lectra is characterized.

Finally, Morand and Manceau highlight the fact that, “One of the most noteworthy decisions taken over the last few years to promote innovation within business has been the French Research Tax Credit...in its new, expanded and simplified form, introduced by Christine Lagarde in 2008.” The result of this measure has been “to put France among those countries that offer companies the strongest incentives for the promotion of research.” Reaping the full benefits of this credit, Lectra’s strategic decision to maintain R&D activities in France and resist the temptation to move them offshore, something which has remained unchanged throughout the years, has been vindicated and strengthened.

The report ‘A New look at innovation’ is available on the website of the Ministry for Economic Affairs, Industry and Employment:

http://www.minefe.gouv.fr/directions_services/sircom/rap_autre_vision_innovation090430.pdf

About Lectra

Lectra is the world leader in integrated technology solutions that automate, streamline, and accelerate product design, development, and manufacturing processes for industries using soft materials. Lectra develops the most advanced specialized software and cutting systems and provides associated services to a broad array of markets including fashion (apparel, accessories, footwear), automotive (car seats and interiors, airbags), furniture, as well as a wide variety of other market sectors, such as the aeronautical and marine industries, wind power, personal protective equipment. Lectra serves 23,000 customers in more than 100 countries with 1,500 employees and \$292 million in 2008 revenues. The company is listed on Euronext Paris.

For more information, please visit www.lectra.com