MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS FOR THE SECOND QUARTER AND FIRST HALF 2017

Dear Shareholders,

We report below on Lectra Group's business activity and consolidated financial statements for the second quarter and first half of 2017, ending June 30. Financial statements for the first half have been subject to a limited review by the Statutory Auditors; statements relating solely to the second quarter have not been reviewed.

Detailed comparisons between 2017 and 2016 are based on 2016 exchange rates ("like-for-like") unless stated otherwise.

To present orders for new systems and revenues from new systems sales in a manner more consistent with the evolution of its product offer, in the framework of its new roadmap for 2017-2019, and with effect from the first quarter of 2017, the Company has decided to present the software for its cutting machines under the same heading as the latter, now titled "CAD/CAM equipment and accompanying software". The software concerned was previously presented under the heading "New software licenses". The other software, which are all liable to migrate, entirely or partly, to recurring subscriptions (SaaS), are now presented under the new heading "New CAD/CAM and PLM software licenses". For consistency between the presentation of revenues from new systems sales and revenues from recurring contracts, contracts concerning software for cutting machines, previously reported under the heading "Software evolution and online services contracts", are now presented under the new heading "CAD/CAM equipment and accompanying software maintenance and online services contracts". Figures for 2016 have been restated accordingly to permit comparisons with those for 2017. The impact of this reclassification is discussed in note 5 to the financial statements.

1. SUMMARY OF OPERATIONS FOR Q2 2017

With an average parity of $1.10/€1 in Q2, the US dollar was up 3% compared to Q2 2016 ($1.13/€1). For its part, the yuan declined by 2%. Currency changes mechanically increased revenues by €0.6 million (+1%) and income from operations by €0.4 million (+4%) at actual exchange rates compared to like-for-like figures.

Growth in Orders for New Systems

Orders for new systems totaled €32 million, up €1.2 million (+4%) compared to Q2 2016.

Growth was 5% at actual exchange rates.

Orders for new CAD/CAM and PLM software licenses (€4.5 million) increased by 6%, those for CAD/CAM equipment and accompanying software (€23.9 million) by 8%. Orders for training and consulting (€3.1 million) fell by 18% owing to the absence of any major projects.

Growth in Income from Operations and Net Income

Revenues totaled €69 million, up 7% compared to Q2 2016 (+8% at actual exchange rates).

Income from operations amounted to €9.1 million, up 8% (+13% at actual exchange rates).

The operating margin amounted to 13.2%, increasing by 0.1 percentage points (+0.6 percentage points at actual exchange rates).

Net income amounted to €6.2 million, up €0.7 million (+13%) at actual exchange rates.

Finally, free cash flow amounted to €2.4 million (€3.3 million in Q2 2016).

2. SUMMARY OF OPERATIONS FOR FIRST HALF 2017 AND CONSOLIDATED FINANCIAL STATEMENTS

With an average parity of $1.08/€1 for H1 2017, the US dollar was up 3% compared to H1 2016. The yuan, for its part, declined by 2%.

Currency changes thus mechanically increased revenues by €1.9 million (+1%) and income from operations by €1.1 million (+6%) at actual exchange rates compared to like-for-like figures.

Orders for New Systems

Orders for new systems amounted to €64.3 million, up €6.9 million (+12%) relative to H1 2016: +14% for new software licenses and for CAD/CAM equipment, -1% for training and consulting.

Orders for new systems increased in all regions and in all market sectors.

Geographically, orders increased 26% in the Americas, 13% in Europe, 4% in Asia-Pacific and 23% in the rest of the world (Northern Africa, South Africa, Turkey, the Middle East, etc.).

Orders in the fashion and apparel market were up 16%, 9% in the automotive market, and 1% in the furniture market. In the other industries, they increased by 35%. These market sectors respectively accounted for 47%, 39%, 9% and 5% of total orders.

Revenues

Revenues totaled €138.5 million, up 8% relative to H1 2016 (+10% at actual exchange rates).

Revenues increased by 8% in Europe, 19% in Asia-Pacific and 17% in the rest of the world. They decreased by 4% in the Americas. These regions respectively accounted for 42% (including 7% for France), 27%, 7%, and 24% of total revenues. In 2016, they respectively accounted for 43% (including 7% for France), 24%, 6%, and 27% of total revenues.

Revenues from New Systems Sales

Revenues from new systems sales (€60.9 million) increased by 10% and accounted for 44% of total revenues (43% in 2016).

- Revenues from new CAD/CAM and PLM software licenses (€8.8 million) increased by 29% and accounted for 6% of total revenues (5% in 2016);
- Revenues from CAD/CAM equipment and accompanying software (€44.4 million) increased by 6% and accounted for 32% of total revenues (33% in 2016);
- Training and consulting revenues (€6.6 million) increased by 18% and accounted for 5% of total revenues (4% in 2016).

Together, revenues from new software licenses (CAD/CAM, PLM and accompanying software for CAD/CAM equipment) amounted to €13.9 million, up 18%, and represented 10% of total revenues (9% in 2016).

Revenues from Recurring Contracts, Consumables and Parts

Recurring revenues (€77.7 million) increased by 7%. They accounted for 56% of total revenues (57% in 2016).

Revenues from recurring contracts—which represented 57% of recurring revenues and 32% of total revenues—totaled €44.3 million, an 8% increase:

- Revenues from CAD/CAM and PLM software evolution and online services contracts (€19.1 million), up 4% compared to 2016, represented 14% of total revenues;
- Revenues from CAD/CAM equipment and accompanying software maintenance and online services contracts (€25.2 million), up 11%, represented 18% of total revenues.

In parallel, revenues from consumables and parts (€33.4 million) increased by 4% and represented 24% of total revenues (25% in H1 2016).

Order Backlog

At June 30, 2017, the order backlog for new systems (€28.3 million) was up €2.5 million at actual exchange rates relative to December 31, 2016, as first-half orders exceeded corresponding revenues. The backlog was up €3.4 million relative to June 30, 2016.

This backlog comprised orders for new software licenses and CAD/CAM equipment totaling €21.5 million, including €17.6 million for shipment in Q3 2017, €3.3 million in Q4 and €0.6 million thereafter, and €6.8 million for training and consulting, to be delivered as projects progress.

Gross Profit

Gross profit amounted to €101.8 million.

The overall gross profit margin was 73.5%, down 0.4 percentage points relative to H1 2016.

Personnel expenses and other operating expenses incurred in the execution of service contracts or in training and consulting are not included in the cost of goods sold but are accounted for in overhead costs.

Overhead Costs

Total overhead costs were €83.3 million, up €5.1 million (+7% like-for-like and at actual exchange rates) compared to H1 2016.

The breakdown is as follows:

- €74.5 million in fixed overhead costs (+6%);
- €8.8 million in variable costs (+17%).

R&D costs (€12.9 million) are fully expensed in the period, included in overhead costs and represented 9.3% of revenues (€11.7 million and 9.3% in H1 2016). After deducting the research tax credit and the corresponding portion of the competitiveness and employment tax credit applicable in France, net R&D costs amounted to €9 million (€8.2 million in 2016).

Income from Operations and Net Income

Income from operations was €18.5 million, an increase of €1.9 million (+13%) like-for-like and €3 million (+20%) at actual exchange rates compared to H1 2016.

The operating margin was 13.3%, up 0.5 percentage points like-for-like and 1.1 percentage points at actual exchange rates.

Financial income and expenses represented a net charge of €0.1 million. Foreign exchange gains and losses generated a net loss of €0.6 million.

After an income tax expense of €5 million, net income amounted to €12.7 million, up €2.1 million (+20%) at actual exchange rates.

Net earnings per share were €0.41 on basic capital and €0.39 on diluted capital (respectively €0.35 and €0.34 in H1 2016).

Free Cash Flow

Free cash flow amounted to €16.3 million, compared to €7.1 million for H1 2016.

Shareholders' Equity

At June 30, 2017, consolidated shareholders' equity amounted to €134.4 million (€132.6 million at December 31, 2016), after payment on May 5 of the dividend of €11 million (€0.35 per share) declared in respect of FY 2016.

The company is debt free. Cash and cash equivalents, as well as net cash position, totaled €81.1 million (€75.7 million at December 31, 2016).

The working capital requirement was a negative €3.1 million. This includes the receivable of €23.7 million on the French tax administration *(Trésor public)* corresponding to the research tax credits recognized since fiscal year 2013 (€21.6 million at December 31, 2016), which have not yet been received or offset against income tax. Restated for this receivable, the working capital requirement was a negative €26.8 million, a key feature of the Group's business model.

When these tax credits cannot be deducted from corporate income tax, they are treated as a receivable on the French tax administration. If unused in the ensuing three years, they are repaid to the Company in the fourth year. Thus, the Company expects to receive reimbursement of the remainder (€6.3 million) of the 2013 research tax credit before the end of the current year.

3. DISPOSAL OF HIS STAKE IN LECTRA BY ANDRÉ HARARI AND APPOINTMENT OF DANIEL HARARI TO THE POSITION OF CHAIRMAN AND CEO

André Harari sold, on June 14, 2017, his entire stake in Lectra, through a share placement by way of an accelerated book building to institutional investors (see press release of June 14, 2017) and resigned from his position as Chairman of the Board of Directors and as Director, with effect from the end of today's Board of Directors' meeting.

André Harari has been a shareholder of Lectra since 1976, and has contributed to its development since then. André Harari and Daniel Harari have been associated with Lectra's management since 1991.

In accordance with the Company's previous communications, the transaction was part of the transition of the Chairmanship of the Board, assumed by André Harari since 2002, to Daniel Harari, CEO of the Company since that date.

The members of the Board warmly thanked André Harari for the role he has played in the Company, and in particular as Chairman of the Board of Directors.

The Board of Directors has decided to combine the offices of Chairman of the Board of Directors with that of Chief Executive Officer, appointing Daniel Harari to the position of Chairman and CEO.

4. SHARE CAPITAL – OWNERSHIP – SHARE PRICE PERFORMANCE

Change in Share Capital

At June 30, 2017, the share capital totaled €31,451,886, divided into 31,451,886 shares with a par value of €1.00.

Share capital has increased by €204,332 (with a total share premium of €881,253) due to the creation of 204,332 shares since January 1, 2017 resulting from the exercise of stock options.

Main Shareholders

André Harari and Daniel Harari stated on June 19, 2017 that they no longer jointly held any shares in the Company, following the disposal by André Harari of his shares. On that occasion, André Harari individually reduced his holding, on June 16, 2017, below the reporting thresholds of 15%, 10% and 5% of the Company's capital and voting rights, and he no longer holds any of the Company's shares.

On June 19, 2017, Kabouter Management LLC (United States), acting on behalf of funds managed or advised by it, stated that on June 14, 2017 it had increased its holdings above the reporting thresholds of 5% and 10% of the Company's capital and voting rights, and that it held 10.48% of the capital and 10.38% of the voting rights.

No other crossing of statutory thresholds has been notified to the Company since March 31, 2017.

At the date of publication of this report, and to the Company's knowledge:

– Daniel Harari holds 17.5% of the capital and 17.4% of the voting rights;
– Kabouter (United States) acting on behalf of investment funds that it manages, holds more than 10% (but less than 15%) of the capital and the voting rights;
– Allianz SE (Germany) through French companies it controls, and Kempen Oranje Participaties (The Netherlands) each hold more than 5% (but less than 10%) of the capital and the voting rights.

No other shareholder has reported holding more than 5% of the share capital and voting rights.

Treasury Shares

At June 30, 2017, the Company held 0.05% of its own shares in treasury shares, solely within the framework of the liquidity agreement contracted with Exane BNP Paribas.

Share Price Performance and Trading Volumes

The Company's share price at June 30, 2017, was €24.03, up 33% compared to December 31, 2016 (€18.02). It reached a low of €16.89 on January 5 and a high of €30.00 on June 5.

The CAC 40 index and the CAC Mid & Small index progressed by 5% and 16% respectively over the first six months of this year.

According to Euronext statistics, the number of shares traded on Euronext (5.7 million) increased by 147%, and trading volumes (€132.3 million) by 337% compared to H1 2016. These figures do not include trading on other trading platforms; if the latter are included, the total trading volume represents almost twice the volume recorded on Euronext, according to Company estimates. These figures also exclude the disposal by André Harari of his entire shareholding in Lectra.

5. SIGNIFICANT POST-CLOSING EVENTS

No significant event has occurred since June 30, 2017.

6. FINANCIAL CALENDAR

The Q3 2017 financial results will be published on October 30, after close of trading on Euronext.

7. BUSINESS TRENDS AND OUTLOOK

In its February 9, 2017 financial report and its 2016 annual report, to which readers are invited to refer, the Company reported its long term vision and its 2017 business trends and outlook.

A New Strategic Roadmap for 2017-2019

The new strategic roadmap was framed to enable Lectra to become an indispensable player in Industry 4.0, to consolidate its global leadership and achieve sustained growth, while maintaining short-term profitability and continuing to focus activities on its main market sectors, i.e. fashion and apparel, automotive and furniture.

Industry 4.0 presents an unprecedented opportunity for Lectra, calling for the integration of smart solutions and services, and the replacement of production plants incompatible with the connected factory concepts. Lectra's capacity to combine machines, software and services, rather than merely juxtapose them, is a major asset to the Company as it supports its customers at increasingly strategic levels in their value chain.

The first status report on the implementation of the 2017-2019 roadmap will be communicated on February 12, 2018.

2017 Outlook

The Company entered 2017 with stronger than ever operating fundamentals and an even stronger balance sheet.

Persistent macroeconomic, geopolitical, political and currency uncertainties, together with increased risk, are liable to continue to weigh heavily on businesses' investment decisions. As in previous years, the main uncertainty concerns the level of orders for new systems and corresponding revenues.

In these conditions, the Company has targeted 6% to 12% revenue growth for 2017, and 7% to 15% growth in income from operations before non-recurring items, like-for-like.

In view of its first-half business activity and financial results, the Company remains confident of achieving this objective.

Bolstered by the strength of its business model and a new roadmap fully geared to the demands of Industry 4.0, the Company remains confident in its growth prospects for the medium term.

The Board of Directors

July 27, 2017

Company Certification of the First Half 2017 Report

We certify that, to our knowledge, the first-half 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-half report on operations presents a true and sincere view of the significant events that occurred during the first six months of the fiscal year and their impact on the financial statements, and a description of the main risks and uncertainties for the coming six months.

Paris, July 27, 2017

Daniel Harari	Jérôme Viala
Chief Executive Officer	Chief Financial Officer

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS (in thousands of euros)	June 30, 2017	December 31, 2016	June 30, 2016
Goodwill	32,547	33,334	32,493
Other intangible assets	3,650	4,179	4,642
Property, plant and equipment	22,128	21,317	19,203
Non-current financial assets	2,127	2,351	2,111
Deferred tax assets	8,493	9,323	9,259
Total non-current assets	68,945	70,504	67,708
Inventories	29,000	25,491	25,532
Trade accounts receivable	49,865	60,076	44,331
Other current assets	33,122	30,695	34,825
Cash and cash equivalents	81,085	75,696	57,826
Total current assets	193,072	191,958	162,514
Total assets	**262,017**	**262,462**	**230,222**

EQUITY AND LIABILITIES (in thousands of euros)	June 30, 2017	December 31, 2016	June 30, 2016
Share capital	31,452	31,248	30,957
Share premium	11,793	10,912	9,488
Treasury shares	(377)	(91)	(191)
Currency translation adjustments	(9,382)	(8,537)	(9,014)
Retained earnings and net income	100,925	99,052	82,618
Total equity	134,411	132,583	113,858
Retirement benefit obligations	9,176	8,943	9,194
Borrowings, non-current portion	-	-	-
Total non-current liabilities	9,176	8,943	9,194
Trade and other current payables	60,911	59,280	52,901
Deferred revenues	50,904	53,854	47,754
Current income tax liabilities	3,290	4,420	3,606
Borrowings, current portion	-	-	-
Provisions for other liabilities and charges	3,325	3,382	2,909
Total current liabilities	118,430	120,936	107,170
Total equity and liabilities	**262,017**	**262,462**	**230,222**

CONSOLIDATED INCOME STATEMENT

(in thousands of euros)	Three months ended June 30, 2017	Six months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2016
Revenues	69,025	138,512	64,132	126,345
Cost of goods sold	(18,303)	(36,736)	(17,082)	(33,366)
Gross profit	50,721	101,776	47,050	92,979
Research and development	(4,814)	(9,025)	(4,196)	(8,157)
Selling, general and administrative expenses	(36,807)	(74,290)	(34,768)	(69,397)
Income from operations	9,100	18,462	8,086	15,425
Financial income	109	141	16	73
Financial expenses	(139)	(272)	(153)	(258)
Foreign exchange income (loss)	(175)	(629)	42	(142)
Income before tax	8,895	17,702	7,990	15,098
Income tax	(2,654)	(4,966)	(2,465)	(4,443)
Net income	**6,241**	**12,736**	**5,525**	**10,655**

(in euros)				
Earnings per share:				
- basic	0.20	0.41	0.18	0.35
- diluted	0.19	0.39	0.17	0.34
Shares used in calculating earnings per share				
- basic	31,379,262	31,325,096	30,924,887	30,863,180
- diluted	32,381,133	32,317,650	31,714,833	31,666,366

STATEMENT OF COMPREHENSIVE INCOME

(in thousands of euros)	Three months ended June 30, 2017	Six months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2016
Net income	6,241	12,736	5,525	10,655
Currency translation adjustments	(636)	(636)	(822)	(822)
Tax effect	(210)	(210)	2	2
Other comprehensive income to be reclassified in net income	(845)	(845)	(820)	(820)
Remeasurement of the net liability arising from defined benefits pension plans	6	6	(581)	(581)
Tax effect	(3)	(3)	190	190
Other comprehensive income not to be reclassified in net income	4	4	(391)	(391)
Total other comprehensive income	(841)	(841)	(1,211)	(1,211)
Comprehensive income	**5,400**	**11,894**	**4,314**	**9,444**

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of euros)	Six months ended June 30, 2017	Six months ended June 30, 2016
I - OPERATING ACTIVITIES		
Net income	12,736	10,655
Net depreciation, amortization and provisions	4,174	3,296
Non-cash operating expenses	638	(625)
Loss (profit) on sale of fixed assets	20	35
Changes in deferred income taxes	296	(330)
Changes in inventories	(4,306)	(2,588)
Changes in trade accounts receivable	6,616	6,546
Changes in other current assets and liabilities	(839)	(7,714)
Net cash provided by (used in) operating activities	19,334	9,275
II - INVESTING ACTIVITIES		
Purchases of intangible assets	(332)	(675)
Purchases of property, plant and equipment	(2,922)	(1,508)
Proceeds from sales of intangible assets and property, plant and equipment	4	6
Purchases of financial assets [(1)]	(2,105)	(1,632)
Proceeds from sales of financial assets [(1)]	2,290	1,671
Net cash provided by (used in) investing activities	(3,067)	(2,138)
III - FINANCING ACTIVITIES		
Proceeds from issuance of ordinary shares	1,086	640
Dividends paid	(10,977)	(9,274)
Purchases of treasury shares	(2,270)	(1,543)
Sales of treasury shares	2,020	1,605
Net cash provided by (used in) financing activities	(10,141)	(8,572)
Increase (decrease) in cash and cash equivalents	**6,127**	**(1,435)**
Cash and cash equivalents at opening	75,696	59,347
Increase (decrease) in cash and cash equivalents	6,127	(1,435)
Effect of changes in foreign exchange rates	(738)	(86)
Cash and cash equivalents at closing	81,085	57,826
Free cash flow	16,268	7,137
Income tax (paid) / reimbursed, net	(2,902)	(3,013)
Interest (paid)	-	-

(1) These amounts mainly correspond to the valuation of purchases and sales of treasury shares made through the liquidity agreement, and for which the counterpart is shown in the corresponding cash flows arising from financing activities.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in thousands of euros, except for par value per share expressed in euros)	Share capital: Number of shares	Share capital: Par value per share	Share capital: Share capital	Share premium	Treasury shares	Currency translation adjustments	Retained earnings and net income	Equity
Balance at January 1, 2016	30,786,399	1.00	30,786	9,018	(203)	(8,194)	81,547	112,955
Net income							10,655	10,655
Other comprehensive income						(820)	(391)	(1,211)
Comprehensive income						(820)	10,264	9,444
Exercised stock options	170,986	1.00	171	469				640
Fair value of stock options							48	48
Sale (purchase) of treasury shares					12			12
Profit (loss) on treasury shares							33	33
Dividend paid							(9,274)	(9,274)
Balance at June 30, 2016	30,957,385	1.00	30,957	9,488	(191)	(9,014)	82,618	113,858
Balance at January 1, 2016	30,786,399	1.00	30,786	9,018	(203)	(8,194)	81,547	112,955
Net income							26,662	26,662
Other comprehensive income						(343)	(106)	(449)
Comprehensive income						(343)	26,556	26,213
Exercised stock options	461,155	1.00	461	1,893				2,354
Fair value of stock options							142	142
Sale (purchase) of treasury shares					112			112
Profit (loss) on treasury shares							81	81
Dividend paid							(9,274)	(9,274)
Balance at December 31, 2016	31,247,554	1.00	31,248	10,912	(91)	(8,537)	99,052	132,583
Net income							12,736	12,736
Other comprehensive income						(845)	4	(841)
Comprehensive income						(845)	12,739	11,894
Exercised stock options	204,332	1.00	204	881				1,086
Fair value of stock options							87	87
Sale (purchase) of treasury shares					(286)			(286)
Profit (loss) on treasury shares							23	23
Dividend paid							(10,977)	(10,977)
Balance at June 30, 2017	**31,451,886**	**1.00**	**31,452**	**11,793**	**(377)**	**(9,382)**	**100,925**	**134,411**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT JUNE 30, 2017

1. BUSINESS ACTIVITY

Lectra, established in 1973 and listed since 1987 on Euronext, is the world leader in integrated technology solutions –software, automated cutting equipment, and associated services–specifically designed for industries using fabrics, leather, technical textiles, and composite materials to manufacture their products. Lectra serves major global markets: fashion and apparel, automotive, and furniture as well as a broad array of other industries, including aeronautical and marine industries, and wind power.

Lectra's full-line and innovative solutions–specific to each market–enable customers to automate and optimize product design, development, and manufacturing (such as garments, seats, airbags and sofas). For the fashion and apparel industry, Lectra's software applications also facilitate the management of collections and cover the entire product lifecycle (PLM, Product Lifecycle Management).

With 1,600 employees, Lectra has developed privileged and long-term relationships with prestigious customers in over 100 countries, contributing to their operational excellence, and provides them with solutions.

Worldwide Presence

Based in France, the Group has been present worldwide since the mid-1980s. It serves customers through an extensive network of 32 sales and services' subsidiaries from which Lectra directly generated 92% of its revenues in 2016. This unrivalled network is backed by agents and distributors in some regions.

Customers

From global corporations to smaller national companies, Lectra supports customers as they seek to overcome major strategic challenges including: cutting costs and boosting productivity; reducing time-to-market; effectively managing globalization; developing secure smart communications; enhancing quality; satisfying the growing demand for mass-customization; and boosting their corporate brands.

Products and Services

The Group markets end-to-end integrated technology solutions: software, automated cutting equipment and services, which include technical maintenance, training and consulting; and sales of consumables and parts.

All Lectra software and equipment is designed and developed in-house. Equipment is assembled from parts produced to a rigorous standard by an international network of sub-contractors and tested in the company's industrial facilities in Bordeaux-Cestas (France) where most of Lectra's R&D is conducted.

People

Lectra's strength lies in the skills and experience of our employees. They are located worldwide, and encompass expert R&D, technical and sales teams with a deep knowledge of their customers' businesses.

Lectra is geographically close to its customers wherever they are, with more than 850 global employees are committed to marketing, sales and services, and nearly 300 engineers entirely dedicated to R&D, while more than 150 employees work in industrial purchasing, assembly and testing of CAD/CAM equipment, and logistics.

Call Centers

Lectra's five international Call Centers, in Bordeaux-Cestas (France), Madrid (Spain), Milan (Italy), Atlanta (USA) and Shanghai (China) cover Europe, North America and Asia.

Lectra's full range of technologies is showcased at the company's International Advanced Technology & Conference Center in Bordeaux-Cestas (France) for European and international visitors; for North and South America at a showroom in Atlanta (USA) and for the Asia Pacific region at a showroom in Shanghai (China).

Business Model

Lectra's business model is based on three pillars:

- a balance of risks, which benefit from natural hedging by the distribution of business activity over market sectors and geographical markets with cycles that are different from each other, and by the very large number of customers throughout the world;
- a balanced revenue mix between revenues from new systems sales, the company's growth driver, and revenues from recurring contracts and consumables and parts, a key factor in the company's stability, that provide a cushion in periods of difficult economic conditions;
- the generation of significant annual free cash flow.

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 Board as adopted within the European Union, and available for consultation on the European Commission website:

http://ec.europa.eu/finance/company-reporting/ifrs-financial-statements/index_en.htm

The condensed consolidated financial statements at June 30, 2017, have been prepared in accordance with IAS 34 – *Interim Financial Statements*. They do not comprise all of the financial disclosures required in the complete financial statements and should be read in conjunction with the Group's consolidated financial statements and corresponding notes for the fiscal year 2016, available on lectra.com.

The consolidated financial statements have been prepared in accordance with the same rules and methods as those applied in the preparation of the 2016 annual financial statements. They have been prepared under the responsibility of the Board of Directors at its meeting of July 27, 2017. They have been the subject of a limited review by the Statutory Auditors; the Q2 financial statements have not been reviewed separately.

There are no standards and interpretations adopted by the European Union whose application would be required for fiscal years starting from January 1, 2017 and which would have an impact on the Group's financial statements.

The Group has not early adopted any standards, amendments or interpretations whose application is not required for fiscal years starting from January 1, 2017, or that have not been adopted by the European Union. It is currently evaluating the impacts of the adoption of IFRS 15 – *Revenue from Contracts with Customers*, and IFRS 9 – *Financial Instruments*, which will be applicable from January 1, 2018. The Group will study IFRS 16 – *Leases*, which would be applicable from January 1, 2019, provided it is adopted by the European Union.

In particular, the Group signs multiple-element arrangements with its customers and is currently evaluating the impact of revenues allocation according to stand-alone selling prices under IFRS 15. The Group expects no significant impact from the application of IFRS 9.

Comparability of the Group's interim and annual accounts may be affected by the slightly seasonal nature of the Group's business, which mostly achieves a higher level of revenues during the fourth quarter of the year. This, in particular, applies to sales of new software licenses and CAD/CAM equipment. Moreover, overhead costs are reduced during the third quarter due to the summer holidays in France and in European subsidiaries. These two items have a positive impact on income from operations in these quarters.

Comparisons identified as "like-for-like" correspond to 2017 figures restated at 2016 exchange rates, in comparison with actual data for 2016.

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, their relevance is supported by the Group's business model features.

The areas involving a higher degree of judgment or complexity, or requiring material assumptions and estimates in relation to the establishment of the consolidated financial statements, relate to goodwill impairment and deferred tax.

Revenues

Revenues from sales of hardware and software are recognized when the significant risks and benefits relating to ownership are transferred to the purchaser.

For hardware, these conditions are fulfilled upon physical transfer of the hardware in accordance with the contractual sale terms. For software, 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 billed in advance, and their booking is spread 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 Costs

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, setting the stage for their commercialization. Consequently, the technical and economic criteria requiring the recognition of development costs in assets at the moment they occur are not met, and these, together with research costs, are therefore fully expensed in the period in which they are incurred.

The French research tax credit *(crédit d'impôt recherche)* and the portion of the competitiveness and employment tax credit *(crédit d'impôt compétitivité et emploi)* relating to R&D personnel, as well as grants linked to R&D projects, if any, are deducted from R&D expenses.

Earnings per Share

Basic net earnings per share are calculated by dividing net income by the weighted-average number of shares outstanding during the period, excluding the weighted-average number of treasury shares.

Diluted net earnings per share are calculated by dividing net income by the weighted-average number of shares adjusted for the dilutive effect of stock options outstanding during the period and excluding the weighted-average number of treasury shares held solely under the Liquidity Agreement.

The dilutive effect of stock options is computed in accordance with the share repurchase method provided by IAS 33. The assumed proceeds from exercise of stock options are regarded as having been used to repurchase shares at the average market price during the period. The number of shares thus obtained is deducted from the total number of shares resulting from the exercise of stock options.

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.

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 Group'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 Group's 'chief operating decision maker'.

Operating segments refer to the major marketing regions that combine countries with similar economic characteristics in terms of type of product and service, customer type and distribution method. 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 regions are involved in sales and the provision of services to their customers. 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, production, R&D, finance, legal affairs, human resources, information systems. 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 profit margin rates used to determine operating performance are identical for all regions. They are computed for each product line and include added value 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 profit is retained in the income computed for the Corporate segment in order to cover its costs. Since most of the Corporate segment's general overheads are fixed, its profit margin and consequently its income from operations depend mainly on the volume of business generated by marketing regions.

3. SCOPE OF CONSOLIDATION

At June 30, 2017, the Group's scope of consolidation comprised the parent company, Lectra SA, together with 28 fully-consolidated companies.

In June 2017, the Group liquidated its subsidiary Lectra Hellas EPE (Greece), which had no activity for years. This winding up had no impact on the statement of financial position, income statement or cash position of the Group.

There was no other change in the scope of consolidation during the first half of 2017.

In September 2016, the Group had liquidated its subsidiary Humantec Industriesysteme GmbH (Huisheim, Germany), which had had no activity for years. This winding up had no impact on the statement of financial position, income statement or cash position of the Group.

The company had also established in June 2016 a new subsidiary in Vietnam, Lectra Vietnam, which has been fully consolidated since June 30, 2016 in the Group's financial statements. The impact on the income statement and the statement of financial position of the Group was immaterial, the bulk of sales in this country having been until then billed by Lectra SA.

Four sales and service subsidiaries are not consolidated, their revenues being immaterial both separately and combined. At June 30, 2017, their combined revenues totaled €0.7 million, and their combined assets totaled €2.2 million. They had no financial debt outside of the Group. Most of the sales activity of these subsidiaries is billed directly by Lectra SA.

Transactions with these subsidiaries mainly concern purchases from Lectra SA for the purposes of their local operations, or charges and commissions billed to Lectra SA in order to cover their overheads when they act as agents. The amount concerned by these transactions was not significant at June 30, 2017.

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

4.1. Q2 2017

(in thousands of euros)	2017 Actual	2017 At 2016 exchange rates	2016 Actual	Changes 2017/2016 Actual	Changes 2017/2016 Like-for-like
	Three Months Ended June 30				
Revenues	69,025	68,398	64,132	+8%	+7%
Cost of goods sold	(18,303)	(18,244)	(17,082)	+7%	+7%
Gross profit	50,721	50,154	47,050	+8%	+7%
(in % of revenues)	73.5%	73.3%	73.4%	+0.1 points	-0.1 points
Research and development	(4,814)	(4,814)	(4,196)	+15%	+15%
Selling, general and administrative expenses	(36,807)	(36,626)	(34,768)	+6%	+5%
Income from operations	9,100	8,714	8,086	+13%	+8%
(in % of revenues)	13.2%	12.7%	12.6%	+0.6 points	+0.1 points
Income before tax	8,895	8,509	7,990	+11%	+6%
Income tax	(2,654)	na	(2,465)	+8%	na
Net income	6,241	na	5,525	+13%	na

4.2. First Half 2017

(in thousands of euros)	2017 Actual	2017 At 2016 exchange rates	2016 Actual	Changes 2017/2016 Actual	Changes 2017/2016 Like-for-like
	Six Months Ended June 30				
Revenues	138,512	136,603	126,345	+10%	+8%
Cost of goods sold	(36,736)	(36,559)	(33,366)	+10%	+10%
Gross profit	101,776	100,043	92,979	+9%	+8%
(in % of revenues)	73.5%	73.2%	73.6%	-0.1 points	-0.4 points
Research and development	(9,025)	(9,025)	(8,157)	+11%	+11%
Selling, general and administrative expenses	(74,290)	(73,655)	(69,397)	+7%	+6%
Income from operations	18,462	17,364	15,425	+20%	+13%
(in % of revenues)	13.3%	12.7%	12.2%	+1.1 points	+0.5 points
Income before tax	17,702	16,604	15,098	+17%	+10%
Income tax	(4,966)	na	(4,443)	+12%	na
Net income	12,736	na	10,655	+20%	na

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

5.1. Q2 2017

Revenues by region

(in thousands of euros)	2017 Actual	2017 %	2017 At 2016 exchange rates	2016 Actual	2016 %	Changes 2017/2016 Actual	Changes 2017/2016 Like-for-like
Europe, of which:	29,709	43%	29,803	27,457	43%	+8%	+9%
- France	4,645	7%	4,646	4,857	8%	-4%	-4%
Americas	16,438	24%	15,958	15,618	24%	+5%	+2%
Asia-Pacific	17,711	26%	17,621	17,131	27%	+3%	+3%
Other countries	5,167	7%	5,016	3,926	6%	+32%	+28%
Total	69,025	100%	68,398	64,132	100%	+8%	+7%

Three Months Ended June 30

Revenues by type of business

(in thousands of euros)	2017 Actual	2017 %	2017 At 2016 exchange rates	2016 Actual	2016 %	Changes 2017/2016 Actual	Changes 2017/2016 Like-for-like
New CAD/CAM and PLM software licenses (1)	4,710	7%	4,660	3,312	5%	+42%	+41%
CAD/CAM and PLM software evolution and online services contracts (2)	9,586	14%	9,521	9,078	14%	+6%	+5%
CAD/CAM equipment and accompanying software (1)	21,235	31%	21,102	20,798	32%	+2%	+1%
CAD/CAM equipment and accompanying software maintenance and online services contracts (2)	12,698	18%	12,565	11,177	18%	+14%	+12%
Consumables and parts	16,938	24%	16,708	16,460	26%	+3%	+2%
Training and consulting services	3,369	5%	3,357	2,833	4%	+19%	+18%
Miscellaneous	489	1%	485	474	1%	+3%	+2%
Total	69,025	100%	68,398	64,132	100%	+8%	+7%

Three Months Ended June 30

(1) Accompanying software for CAD/CAM equipment, which appeared in 2016 under the 'New software licenses' heading, now appear under 'CAD/CAM equipment and accompanying software'. The 2016 amount (€2,458,000) has been restated accordingly to allow for comparison with 2017 data.

(2) Evolution and online services contracts related to CAD/CAM equipment accompanying software, which appeared in 2016 under the 'Software evolution and online services contracts' heading, now appear under 'CAD/CAM equipment and accompanying software maintenance and online services contracts'. The 2016 amount (€2,623,000) has been restated accordingly to allow for comparison with 2017 data.

Revenues by nature

(in thousands of euros)	2017 Actual	2017 %	2017 At 2016 exchange rates	2016 Actual	2016 %	Changes 2017/2016 Actual	Changes 2017/2016 Like-for-like
Revenues from new systems sales(1)	29,803	43%	29,604	27,417	43%	+9%	+8%
Recurring revenues(2), of which:	39,222	57%	38,794	36,715	57%	+7%	+6%
- Recurring contracts	22,284	32%	22,086	20,255	31%	+10%	+9%
- Consumables and parts	16,938	25%	16,708	16,460	26%	+3%	+2%
Total	69,025	100%	68,398	64,132	100%	+8%	+7%

Three Months Ended June 30

(1) Revenues from sales of new systems comprise sales of new software licenses, CAD/CAM equipment, training and consulting and on-call interventions on the installed base.

(2) Recurring revenues fall into two categories:
- *Recurring contracts: CAD/CAM and PLM software evolution and online services contracts, and CAD/CAM equipment and accompanying software maintenance and online services contracts, which are renewable annually;*
- *Revenues from sales of consumables and parts, which are statistically recurrent.*

5.2. First Half 2017

Revenues by region

(in thousands of euros)	2017 Actual	2017 %	At 2016 exchange rates	2016 Actual	2016 %	Changes 2017/2016 Actual	Changes 2017/2016 Like-for-like
Europe, of which:	58,354	42%	58,557	54,154	43%	+8%	+8%
- France	9,377	7%	9,380	9,398	7%	0%	0%
Americas	33,660	24%	32,282	33,621	27%	0%	-4%
Asia-Pacific	36,989	27%	36,556	30,680	24%	+21%	+19%
Other countries	9,509	7%	9,208	7,890	6%	+21%	+17%
Total	138,512	100%	136,603	126,345	100%	+10%	+8%

Six Months Ended June 30

Revenues by type of business

(in thousands of euros)	2017 Actual	2017 %	At 2016 exchange rates	2016 Actual	2016 %	Changes 2017/2016 Actual	Changes 2017/2016 Like-for-like
New CAD/CAM and PLM software licenses (1)	8,807	6%	8,671	6,730	5%	+31%	+29%
CAD/CAM and PLM software evolution and online services contracts (2)	19,097	14%	18,901	18,120	14%	+5%	+4%
CAD/CAM equipment and accompanying software (1)	44,400	32%	43,926	41,310	33%	+7%	+6%
CAD/CAM equipment and accompanying software maintenance and online services contracts (2)	25,159	18%	24,779	22,259	18%	+13%	+11%
Consumables and parts	33,401	24%	32,756	31,364	25%	+6%	+4%
Training and consulting services	6,631	5%	6,565	5,545	4%	+20%	+18%
Miscellaneous	1,017	1%	1,005	1,017	1%	0%	-1%
Total	138,512	100%	136,603	126,345	100%	+10%	+8%

Six Months Ended June 30

(1) Accompanying software for CAD/CAM equipment, which appeared in 2016 under the 'New software licenses' heading, now appear under 'CAD/CAM equipment and accompanying software'. The 2016 amount (€4,957,000) has been restated accordingly to allow for comparison with 2017 data.

(2) Evolution and online services contracts related to CAD/CAM equipment accompanying software, which appeared in 2016 under the 'Software evolution and online services contracts' heading, now appear under 'CAD/CAM equipment and accompanying software maintenance and online services contracts'. The 2016 amount (€5,238,000) has been restated accordingly to allow for comparison with 2017 data.

Revenues by nature

(in thousands of euros)	2017 Actual	2017 %	At 2016 exchange rates	2016 Actual	2016 %	Changes 2017/2016 Actual	Changes 2017/2016 Like-for-like
Revenues from new systems sales (1)	60,855	44%	60,167	54,601	43%	+11%	+10%
Recurring revenues (2), of which:	77,657	56%	76,436	71,744	57%	+8%	+7%
- Recurring contracts	44,256	32%	43,679	40,380	32%	+10%	+8%
- Consumables and spare parts	33,401	24%	32,757	31,364	25%	+6%	+4%
Total	138,512	100%	136,603	126,345	100%	+10%	+8%

Six Months Ended June 30

(1) Revenues from sales of new systems comprise sales of new software licenses, CAD/CAM equipment, training and consulting and on-call interventions on the installed base.

(2) Recurring revenues fall into two categories:

- *Recurring contracts: CAD/CAM and PLM software evolution and online services contracts, and CAD/CAM equipment and accompanying software maintenance and online services contracts, which are renewable annually;*
- *Revenues from sales of consumables and parts, which are statistically recurrent.*

Breakdown of revenues from new systems sales by market sector

(in thousands of euros)	2017 Actual	2017 %	2017 At 2016 exchange rates	2016 Actual	2016 %	Changes 2017/2016 Actual	Changes 2017/2016 Like-for-like
Fashion and apparel	26,520	44%	25,987	22,935	42%	+16%	+13%
Automotive	25,639	42%	25,496	22,151	41%	+16%	+15%
Furniture	5,646	9%	5,679	5,968	11%	-5%	-5%
Other industries	3,050	5%	3,005	3,547	6%	-14%	-15%
Total	60,855	100%	60,167	54,601	100%	+11%	+10%

Six Months Ended June 30

6. OPERATING SEGMENTS INFORMATION

Six months ended June 30, 2017 (in thousands of euros)	Europe	Americas	Asia-Pacific	Other countries	Corporate	Total
Revenues	58,354	33,660	36,989	9,509	-	138,512
Income (loss) from operations	10,045	5,263	2,689	1,889	(1,424)	18,462

Six months ended June 30, 2016 (in thousands of euros)	Europe	Americas	Asia-Pacific	Other countries	Corporate	Total
Revenues	54,154	33,621	30,680	7,890	-	126,345
Income (loss) from operations	8,791	4,657	1,472	1,245	(740)	15,425

Income from operations, which is obtained by adding together the income for each segment, is identical to consolidated income from operations shown in the Group's consolidated financial statements and therefore does not need to be reconciled.

7. CONSOLIDATED CASH FLOW SUMMARY

Six months ended June 30, 2017 (in thousands of euros)	Cash and cash equivalents	Financial debts	Net cash
Free cash flow	16,268	-	16,268
Proceeds from issuance of ordinary shares(1)	1,086	-	1,086
Sale and purchase of treasury shares(2)	(250)	-	(250)
Dividends paid	(10,977)	-	(10,977)
Impact of currency variations – other	(738)	-	(738)
Change in cash position for the period	5,389	-	5,389
Cash position at December 31, 2016	75,696	-	75,696
Cash position at June 30, 2017	81,085	-	81,085
Change in cash position for the period	5,389	-	5,389

(1) Resulting solely from the exercise of stock options.

(2) Carried out solely under the liquidity agreement administered by Exane BNP Paribas (see note 9).

Free cash flow at June 30, 2017, was €16.3 million. This figure results from a combination of €19.3 million in cash flows provided by operating activities (including a decrease in working capital requirement of €1.5 million) and capital expenditures of €3.1 million.

The main variations in working capital requirement were:

- −€6.6 million corresponding to the decrease in trade accounts receivable, following the very high level of receipts relative to particularly strong revenues for December 2016, as well as the cash receipt of a significant portion of the recurring contracts at the beginning of the year, usually yearly in advance (the variation in trade accounts receivable shown in the consolidated statement of cash flows includes ‘Deferred revenues’ in the statement of financial position, which for the most part comprises the share of recurring contracts billed but not yet recognized in revenues);
- +€4.3 million corresponding to the increase in inventories, given the increased manufacturing activity;
- +€2.1 million arising from the increase of the receivable on the French tax administration (*Trésor public*) corresponding to the research tax credit for the first half of 2017, accounted for but not received, after deduction from the corporate income tax due by Lectra SA for the same period (see note 8 hereafter);
- +€3.8 million arising from the difference between the variable portion of salaries for the Group in respect of fiscal 2016 paid mainly in 2017, and the one recognized during the first half of 2017 and payable in 2018;
- −€1.5 million corresponding to the increase of customer down payments in the statement of financial position, given the increased backlog of orders for new systems during the first half of 2017;
- −€2.5 million corresponding to an increase in trade accounts payable;
- −€1.1 million arising from the change in other current assets and liabilities; taken individually, these changes are all immaterial.

The working capital requirement at June 30, 2017, was negative at €3.1 million. It comprised the receivable of €23.7 million on the French tax administration in respect of the research tax credit, which has not been received and has not been deducted from the corporate income tax expense. Restated for this receivable, the working capital requirement was negative at €26.8 million, which is a key feature of the Group’s business model.

8. RESEARCH TAX CREDIT – COMPETITIVENESS AND EMPLOYMENT TAX CREDIT

When the research tax credit and the competitiveness and employment tax credit applicable in France recognized in the year cannot be deducted from the corporate income tax, they are treated as a receivable on the French tax administration. If unused in the ensuing three years, they are repaid to the company in the course of the fourth year.

The research tax credit (€3.7 million) and the competitiveness and employment tax credit (€0.5 million) for the first half of 2017 were accounted for but not received.

The competitiveness and employment tax credits relating to the first half of 2017 and previous years have been entirely deducted from the corporate income tax due by Lectra SA.

Thus, at June 30, 2017, Lectra SA held a €23.7 million receivable on the French tax administration. This solely comprised the remaining amount of the research tax credit, after deduction from the corporate income tax due by Lectra SA in the same year: for 2017 (€2.1 million), 2016 (€2.6 million), 2015 (€5.7 million), 2014 (€6.9 million) and 2013 (€6.3 million).

In light of its estimates of tax credits and corporate income tax for the next three fiscal years, the company does not expect to make any payment in respect of corporate income tax, from which will be deducted in full the competitiveness and employment tax credit, and, when applicable, the research tax credit of each fiscal year. Thus, it expects to receive the reimbursement of the balance outstanding of these non-deducted tax credits as follows: in 2017 (in respect of the 2013 tax credit), 2018 (in respect of the 2014 tax credit), 2019 (in respect of the 2015 tax credit), 2020 (in respect of the 2016 tax credit) and 2021 (in respect of the 2017 tax credit). This situation will last for as long as the amount of the annual tax credits exceeds the amount of income tax payable.

If the income tax expense were to rise above the amounts of tax credits for the year, the company would continue to not pay corporate income tax until the corresponding receivable is deducted in full. Thereafter it would deduct these tax credits each year from the income tax expense for the same year in full and would be required to pay the residual amount.

9. TREASURY SHARES

Since January 1, 2017, the company has purchased 100,033 shares and sold 90,078 shares at an average price of €22.69 and €22.42 respectively under the liquidity agreement administered by Exane BNP Paribas.

At June 30, 2017, the company held 15,040 Lectra shares (i.e. 0.05% of the share capital) with an average purchase price of €25.03 entirely under the liquidity agreement.

10. CASH AND CASH EQUIVALENTS AND NET CASH

(in thousands of euros)	June 30, 2017	December 31, 2016
Cash and cash equivalents	81,085	75,696
Borrowings and financial debts	-	-
Net cash	81,085	75,696

The Group has no borrowings or financial debts. Thus, net cash was equal to cash and cash equivalents.

11. FOREIGN EXCHANGE RISK

The Group's currency risk management policy is unchanged relative to December 31, 2016.

During the first half of 2017, the average parity between the US dollar and the euro was $1.08/€1.

Exchange Risk Hedging Instruments

Exchange risk hedging instruments at June 30, 2017 were comprised of forward sales or purchases of foreign currencies (mainly US dollar) for a net total equivalent value (sales minus purchases) of €1.1 million, intended to hedge existing balance sheet positions. Thus, the company has hedged almost all its balance sheet positions.

At the publication date of this report, the company has not hedged its net exposure to the US dollar on its operating flows.

12. SENSITIVITY ANALYSIS

Sensitivity of Income from Operations to a Change in 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 €0.45 million.

Sensitivity of Revenues and Income from Operations to a Change in Exchange Rates

The sensitivity of revenues and income from operations to a change in exchange rates was based on the December 31, 2016 exchange rates for the currencies in which the Group generates its revenues, notably $1.10/€1.

In view of the estimated share of revenues and costs denominated in US dollars or in currencies correlated with the US dollar, a 5-cent fall in the euro against the US dollar (leading to an annual average exchange rate of $1.05/€1) would mechanically increase 2017 annual revenues by approximately €5 million and annual income from operations by €2.8 million. Conversely, a 5-cent appreciation of the euro against the US dollar (i.e. $1.15/€1) would mechanically reduce annual revenues and income from operations by the same amounts.

The parity is $1.17/€1 on the date of this report.

In addition to fluctuating against the US dollar and currencies strongly correlated with it, the euro also fluctuates against other currencies. These variations are frequently dissimilar both in direction (upward and downward) and in scale.

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STATUTORY AUDITORS' REVIEW REPORT ON THE 2017 CONDENSED HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS

(Period from January 1, 2017 to June 30, 2017)

This is a free translation into English of the statutory auditors' review report on the half-year financial information issued in French and is provided solely for the convenience of English-speaking users. This report includes information relating to the specific verification of information given in the Group's half-year management report. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by the Shareholders' meeting and in accordance with the requirements of article L. 451-1-2 III of the French Monetary and Financial Code ("*Code monétaire et financier"*), we hereby report to you on:

– the review of the accompanying condensed half-year consolidated financial statements of Lectra SA, for the period from January 1 to June 30, 2017 ;
– the verification of the information presented in the half-yearly management report.

These condensed half-year consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

1. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France except as explained in the following paragraph. A review of half-year financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have not reviewed the consolidated statement of income for the second quarter of the year 2017 and the comparative 2016 figures.

Based on our review, and subject the limitation referred to in the previous paragraph, nothing has come to our attention that causes us to believe that the accompanying condensed half-year consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 – the standard of IFRSs as adopted by the European Union applicable to interim financial information.

2. Specific verification

We have also verified the information presented in the half-year management report on the condensed half-year consolidated financial statements subject to our review. At the exception of the possible impact of the fact above, we have no other matters to report as to its fair presentation and consistency with the condensed half-year consolidated financial statements.

Neuilly-sur-Seine and Mérignac, July 27, 2017

The Statutory Auditors

French original signed by

PricewaterhouseCoopers Audit SA	KPMG SA
Matthieu Moussy	Jean-Pierre Raud