MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS FOR SECOND-QUARTER AND FIRST-HALF 2010

To all Shareholders,

We report below on the Lectra Group's business activity and consolidated financial statements for the second quarter and first half of 2010, ending June 30. Financial statements for the first half have been subject to a limited review by the Statutory Auditors; statements relating purely to the second quarter have not been reviewed.

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.

1. SUMMARY OF OPERATIONS FOR Q2 2010

With an average parity of $1.27/€1, the U.S. dollar was up 7% compared to the second quarter of 2009. This change, and that of other currencies, mechanically increased revenues by 5% and income from operations by €1.3 million at actual exchange rates, compared to like-for-like figures.

Orders, Revenues and Earnings Rise Sharply, Exceeding the Company's Expectations

After seven consecutive quarters of steep decline resulting from the economic crisis, broken by a first rebound in orders in Q4 2009, the second quarter of 2010 confirmed the very clear rebound in sales activity registered in Q1 2010.

At a total of €18.2 million, orders for new software licenses and CAD/CAM equipment were up 65% like-for-like and 73% at actual exchange rates compared to Q2 2009 (€10.6 million).

It should be noted, however, that orders for Q2 2009, which were severely affected by the crisis, had fallen 65% relative to Q2 2007—which included an exceptional contract of €4.2 million. As a result, and despite a sharp rise, orders for Q2 2010 remained down 43% compared to Q2 2007. The comparison with figures for 2007, the last year before the onset of the economic and financial crisis, provides a better gauge of its impact on sales and the progressive return to normal activity.

Revenues totaled €48.9 million overall, up 25% relative to Q2 2009—up 31% at actual exchange rates.

Revenues from new systems sales (€22.1 million) were up 62%. Recurring revenues (€26.8 million) rose by 6%, due to a combination of a 4% decrease in revenues from recurring contracts and a 28% increase in revenues from spare parts and consumables. The latter figure confirms the rise in production volumes at the Group's customer firms, already noted in the two previous quarters.

Income from operations amounted to €5.4 million, well in excess of the company's expectations due to a greater-than-expected rebound in sales, higher gross profit margins, overhead costs slightly lower than those budgeted, and more favorable exchange rates.

The margin on operations was 11%; in Q2 2009 it was a negative 6.1%.

Like-for-like, income from operations rose €6.3 million relative to the €2.3 million loss on operations recognized in Q2 2009.

The company registered a net income of €2.7 million, an increase of €3.9 million at actual exchange rates, compared to a net loss of €1.2 million in Q2 2009.

Record Free Cash Flow

Free cash flow was positive at €13.8 million (–€3.3 million in Q2 2009). This amount includes the early repayment of the (French) research tax credit *(crédit d'impôt recherche)* in respect of 2009 (€6.2 million), under the French government's economic stimulus plan. Excluding the impact of the research tax credit (€6.2 million received and €1.5 million recognized in Q2 2010 but not received), free cash flow was positive at €9.1 million.

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.

Net Financial Borrowings Down Sharply

Thanks to free cash flow generated, since the beginning of the year net financial borrowings have declined by €18.4 million to total €29.4 million at June 30, 2010, compared to €47.8 million at December 31, 2009.

2. FIRST HALF 2010 CONSOLIDATED FINANCIAL STATEMENTS

With an average parity of $1.33/€1 for the first half of 2010, the U.S. dollar was stable compared to the first half of 2009. Movements in other currencies (most of which appreciated against the euro) mechanically increased revenues by 2% and income from operations by €1.1 million at actual exchange rates, compared to like-for-like figures.

At the interim balance sheet date, the company identified an error in the accounting of the cost of sales of CAD/CAM equipment in Q1 2010, as a result of which, gross margin and income from operations were both under-reported by €0.7 million, and net income by €0.5 million. The corresponding restated financial statements are summarized in chapter 4 of the notes to this report.

Orders

Sales activity bounced back faster and more strongly in the first half than expected at the beginning of the year.

Overall, orders for new software licenses and CAD/CAM equipment amounted to €35.6 million, up 67% relative to the first half of 2009. Orders for new software licenses increased by 54%, and those for CAD/CAM equipment were up 74%.

Orders were still down 38%, relative to the first half of 2007.

Orders booked in the Asia-Pacific region jumped 96% (126% in China and 280% in South East Asia); in the Americas they rose 78%; and in Europe, where certain countries are still laboring under the effects of the crisis, they rose 49%. Sales in the rest of the world (Northern Africa, South Africa, Turkey, the Middle East, etc.) advanced 39% overall.

All market sectors—fashion, automotive, furniture and other industries—contributed to this rebound in sales. The recovery was strongest in the automotive sector.

Revenues

Revenues for the first half of 2010 totaled €91.8 million, up 20% like-for-like, and 23% at actual exchange rates, compared to the first half of 2009.

The increase was 11% in Europe, 27% in the Americas, and 46% in the Asia-Pacific region. These three regions accounted for 52% (10% of which was in France), 22%, and 20% of total revenues respectively. Revenues from the rest of the world (6% of total Group revenues) increased by 9%.

Revenues from New Systems Sales

Revenues from new software licenses (€11.8 million) increased by 34% and contributed 13% of total revenues (compared to 11% in first-half 2009).

CAD/CAM equipment revenues (€23.6 million) were up 61% and accounted for 26% of total revenues (19% in 2009).

Revenues from training and consulting (€4.3 million) were up 15%.

Overall, revenues from new systems sales (€40 million) increased by 46% and represented 44% of total revenues (compared to 36% in 2009). This increase of 8 percentage points of their relative share in total revenues reflects a return to buoyant sales activity.

Revenues from Recurring Contracts and Spare Parts and Consumables

Recurring revenues (€51.8 million) increased by €2.8 million (+6%). They accounted for 56% of total revenues (compared to 64% in first-half 2009).

Revenues from recurring contracts—which represented 61% of recurring revenues and 35% of total revenues—totaled €31.8 million. The 5% decline relative to first-half 2009 stems from an unusually high cancellation rate in 2009, resulting from reduced activity levels, shutdowns and cost-cutting measures implemented by numerous customers, which had already caused a steady quarter-by-quarter decline.

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

- Revenues from software evolution contracts (€14.8 million) decreased by 4% compared to 2009 and represented 16% of total revenues;
- Revenues from CAD/CAM equipment maintenance contracts and from subscription contracts to the Group's five International Call Centers (€17.0 million) decreased by 5% and represented 19% of total revenues.

Meanwhile, revenues from spare parts and consumables (€19.1 million) grew by 30%.

Order Backlog

Despite rising sharply, revenues from 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 June 30, 2010 (€15.0 million), increased by €2.1 million relative to December 31, 2009 (and by €6.9 million relative to June 30, 2009).

The order backlog at June 30, 2010, comprised €12.5 million for shipment in the second half of 2010 and €2.5 million in 2011.

Gross Profit Margin

The overall gross profit margin worked out to 72%. Like-for-like, it came to 71.6%, up 0.6 percentage points relative to the first half of 2009 (71%).

Changes in the product mix led to a rise in the share of revenues from CAD/CAM equipment and spare parts and consumables (where margins are lower than for the other revenue components) in total revenues. This should have, mechanically, led to a decrease in the overall gross profit margin. This impact is fully offset by the clear increase in gross profit margins, like-for-like, for each product line, in particular for CAD/CAM equipment. This performance demonstrates, once again, the competitiveness and the high added value of Lectra's product offer.

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 €57.8 million, down €1.5 million (–3%) compared to the first half of 2009. They break down as follows:

- €51.9 million in fixed overheads costs and allowances, down €4.8 million (–9%) thanks to cost-cutting measures implemented in 2009;
- €5.9 million in variable costs (+143%), an increase reflecting the growth in sales activity and earnings.

Research and development costs are fully expensed in the period and included in fixed overhead costs. Before deducting the (French) research tax credit and certain R&D program grants, R&D costs amounted to €8.3 million and represented 9% of revenues (compared to €8.3 million and 11.1% in 2009); the company chose to maintain its significant efforts in this area. Net R&D costs after deduction of the research tax credit and grants amounted to €5.1 million (€4.7 million in 2009).

Income from Operations and Net Income

Income from operations reached €8.3 million. Like-for-like, it was €7.2 million, up €12.7 million relative to the loss from operations of €5.5 million in the first half of 2009. At actual exchange rates, income from operations improved by €13.8 million, while revenues grew by €17.1 million.

This noteworthy performance can be attributed to action taken in 2009 to boost gross margins and curb overhead costs, which have resulted in a great improvement in the Group's key operating ratios in 2010, and also to the favorable evolution of exchange rates.

The margin on operations was 9.1%. Like-for-like, it worked out to 8.1%—an increase of 15.4 percentage points compared to the negative margin on operations of 7.3% in the first half of 2009.

Financial income and expense represent a net charge of €1.8 million. The balance of foreign exchange gains and losses was negative at €0.7 million.

After an income tax charge of €1.6 million (including €0.4 million of the new French CVAE tax—see notes to this report), net income was €4.4 million and increased by €8.7 million, at actual exchange rates, compared to a net loss of €4.4 million in the first half of 2009.

Net earnings per share on basic and diluted capital were €0.16, compared to a loss of €0.16 per share in the first half of 2009.

Free Cash Flow

Before non-recurring items, free cash flow for H1 2010 was €19.3 million. Free cash flow benefited from the advance repayment of €6.2 million corresponding to the research tax credit for the year 2009, which was recognized in the statement of financial position at December 31, 2009. On the other hand, €2.9 million corresponding to the research tax credit for the first half of 2010 has been recognized but not received.

In 2009, free cash flow before non-recurring items was positive at €8.4 million, having benefited from the advance repayment in of €14.1 million corresponding to the research tax credits for the years 2005 through 2008, which were recognized in the statement of financial position at December 31, 2008.

After €0.5 million in non-recurring disbursements, free cash flow was €18.8 million (compared to €8.3 million in 2009). This figure results from positive cash flow provided by operating activities of €19.5 million (including a €11.3 million reduction in working capital requirement), and capital expenditures of €0.7 million.

Excluding the impact of the research tax credit (the net impact of which has been to reduce the working capital requirement by €3.3 million), free cash flow was €15.5 million, while income before tax came to €5.9 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. This reflects the capacity of the Group's business model to generate free cash flow.

Shareholders' Equity – Net Financial Borrowings – Liquidity

At June 30, 2010, consolidated shareholders' equity amounted to €28.6 million (€24.7 million at December 31, 2009).

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

Cash and cash equivalents totaled €17.1 million (€9.7 million at December 31, 2009).

Financial borrowings totaled €46.5 million (€57.5 million at December 31, 2009), of which:

- €44.2 million corresponds to the €48 million 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. The first contractual repayment of €3.8 million was made on June 30, 2010;
- €2.3 million corresponds to interest-free repayable government advances to finance R&D programs.

The company ceased drawing on cash credit facilities during Q2.

Net financial borrowings consequently totaled €29.4 million, down €18.4 million compared to December 31, 2009. Therefore, the net debt on equity ratio (gearing) has been reduced from 1.93 at December 31, 2009, to 1.03 at June 30, 2010.

The company has given an undertaking to the banks regarding the €48 million medium-term loan, to comply with certain financial ratios (covenants) at December 31 of each year (see chapter 11.1 of the notes to this report).

Taking into account available cash and cash equivalents and confirmed cash credit facilities, total liquidity available to the company at June 30, 2010, amounted to €46.1 million based on the financial statements at that date. This amount will be reduced to €31.1 million as of August 1, 2010, after the expiration of a cash credit facility (see chapter 11.2 of the notes to this report). In view of the robust improvement in its cash position, the company has decided not to renew this facility.

3. LITIGATION PENDING

The London High Court of Justice dismisses Induyco's action to set aside the award rendered by the international arbitral tribunal on October 21, 2009.

In a decision dated July 1, 2010, the London High Court of Justice dismissed Induyco's action to set aside the arbitral award rendered on October 21, 2009 and awarded Lectra its costs and fees of defending the action.

In its award in the arbitration initiated in June 2005 by Lectra against Induyco, the former shareholder of Investronica Sistemas, acquired in 2004, the arbitral tribunal constituted pursuant to the Rules of the International Chamber of Commerce awarded Lectra €25.6 million in damages and interest as of June 30, 2010 (secured up to €15.1 million by bank guarantees given to Lectra by Induyco in accordance with the stock purchase agreement).

Induyco opposed to the payment of the award and commenced proceedings in Spain to challenge Lectra's demand under the bank guarantees, and in England to challenge the validity of the award.

The High Court's decision of July 1, 2010 puts an end to the action brought in England to set aside the award and strengthens Lectra's position that the suit brought in Spain—for which hearings are now expected in the second half of 2010—to suspend the execution of the bank guarantees is entirely groundless.

Lectra is reinforced in its commitment to enforce its rights and recovery of the amounts due to it under the award.

At this stage, the company has not recorded the amounts awarded by the arbitral tribunal in its accounts (see chapter 9 of the notes to this report).

4. SHARE CAPITAL – OWNERSHIP – SHARE PRICE PERFORMANCE

Change in Share Capital

At June 30, 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, on behalf of investment funds managed by them, hold more than 10% (but less than 15%) of the capital and voting rights.

Stock Options Granted in 2010

On June 10, 2010, the Board of Directors granted 128,533 options, at an exercise price of €2.50 per share to 40 beneficiaries in respect of the achievement of their annual performance targets set for 2009. These grants are consistent with the Board's undertaking at the time of the granting of stock options in 2009.

Furthermore, the Board of Directors has decided, for the 2010 option plan, to tie the granting of stock options more directly to the achievement of annual performance targets in 2010. Consequently, under the 2010 plan, the Board of Directors granted 358,000 options to 85 beneficiaries at an exercise price of €2.50 per share, and an undertaking has been given to grant a maximum of 1,023,600 options to 72 beneficiaries upon the condition of achievement of their annual performance targets for 2010. The final number and exercise price of these options will be set by the Board of Directors at the time of granting in 2011, and the exercise price will, under no circumstances, be less than €2.50.

All of the above options, valid for a period of eight years from their date of granting, carry a right to the same number of shares with a par value of €0.97. These options will vest over a period of four years from January 1, 2010, dependent upon the beneficiary's presence in the Group at the end of each annual period. Furthermore, the four-year lock-up period applicable to beneficiaries who are resident in France for tax purposes has been extended to all beneficiaries of the plan, whether or not they are resident in France for tax purposes.

All beneficiaries of the options granted are Group employees. The two corporate executive officers, André Harari and Daniel Harari, have not received any stock options since 2000, being ineligible to benefit from new stock options under existing French legislation, since each of them holds more than 10% of the company's share capital.

Treasury Shares

At June 30, 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 June 30, 2010, was €2.42, up 8% compared to December 31, 2009 (€2.25). Since January 1, 2010, the share price has recorded a high of €2.68 (April 30) and a low of €1.85 (February 9). Over the same period, the CAC 40 index was down 13% and the CAC Mid&Small190 index held steady.

Although still narrow, there was a sharp rise in trading volumes. According to Euronext figures, the number of shares traded (2.3 million) and the volume of capital traded (€5 million) increased by 51% and 50% respectively, compared to the same period in 2009.

5. POST-CLOSING EVENTS

No significant event has occurred since June 30, 2010, except the decision of the London High Court of Justice (see chapter 3).

6. FINANCIAL CALENDAR

Third-quarter 2010 financial results will be published on October 28, 2010, after close of trading on Euronext Paris.

7. BUSINESS TRENDS AND OUTLOOK

The macroeconomic context improved in the first half of 2010, although there was no return to the pre-crisis situation. The situations in different regions and market sectors remain disparate.

The rebound in sales activity was confirmed in H1 2010, exceeding the company's expectations announced at the beginning of the year. This is reflected in a robust growth in orders for new software licenses and CAD/CAM equipment (despite their remaining down 38% relative to their level in 2007), and also in sales of spare parts and consumables (which have reverted to their 2007 level).

However, the recovery remains fragile, and a further deterioration in conditions remains possible, especially in Europe and the United States.

Upward Revision of 2010 Outlook

A strong rebound in orders in the first half, the order backlog at June 30, and progress in implementing the 2010 plan, along with a currency situation in which euro/dollar parity would remain close to its present level, provides grounds for expecting earnings to significantly exceed the company's 2010 expectations, announced on February 11, and again on April 29, at the time of publication of its Q1 results.

The main variable for the second half of the year remains revenues from new systems sales.

Assuming activity slackened, all the while showing a slight growth relative to H2 2009, full-year 2010 revenues would be around €180 million and income from operations (excluding non-recurring items, if any) around €15 million.

On this basis, revenues would represent an increase of €26.8 million (up 17.5%) and income from operations a rise of €17.8 million compared to the loss on operations before non-recurring items recognized in 2009, at actual exchange rates. The margin on operations for the full year would work out to around 8.3%.

If orders continue with the momentum registered in the first half of the year, each €1 million increase in revenues from new systems sales relative to the hypothesis above would boost income from operations by around €0.4 million.

The rate of growth in new orders in the second half should nevertheless be more moderate relative to H1, due to a higher basis for comparison, the level of orders in H2 2009 having already risen relative to 2008 thanks to the upturn in Q4 2009.

These assumptions are based on an average parity of $1.35/€1 in H2 2010. On May 4, 2010, the company hedged its estimated net U.S. dollar exposure for the second half of the year by purchasing a series of U.S. dollar puts at a strike price of $1.35/€1. The parity at the date of publication of this report is $1.30/€1. Consequently, a rise in the euro beyond the threshold of $1.35/€1 would have only a marginal impact on the company's net income. On the other hand, the company would benefit from the actual exchange rate of the U.S. dollar up to a parity of $1.35/€1.

In all scenarios, the company expects free cash flow to be positive in the second half.

In addition, receipt of the €25.6 million awarded to the company by the International Arbitration Tribunal would reduce its net financial borrowings to a low amount.

Bolstered by its first-half results, the company remains confident in the strength of its business model and its prospects for growth in the medium term.

The Board of Directors

July 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-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 29, 2010

Daniel Harari	Jérôme Viala
Chief Executive Officer	Chief Financial Officer

Consolidated statement of financial position

ASSETS

(in thousands of euros)	As at June 30, 2010	As at December 31, 2009	As at June 30, 2009 restated (1)
Goodwill	37,753	36,401	36,580
Other intangible assets	5,793	5,797	5,889
Property, plant and equipment	11,886	12,455	13,650
Non-current financial assets	1,553	1,492	1,402
Deferred income tax	15,706	15,573	14,591
Total non-current assets	72,691	71,718	72,112
Inventories	18,854	18,448	24,286
Trade accounts receivable	38,994	43,357	36,725
Current income tax receivable	3,774	7,773	4,051
Other current assets	12,130	10,337	12,038
Cash and cash equivalents	17,060	9,749	7,177
Total current assets	90,812	89,664	84,277
Total assets	163,503	161,382	156,389

EQUITY AND LIABILITIES

(in thousands of euros)	As at June 30, 2010	As at December 31, 2009	As at June 30, 2009 restated (1)
Share capital	27,641	27,641	27,641
Share premium	1,033	1,033	1,033
Treasury shares	(1,278)	(1,439)	(1,630)
Currency translation adjustment	(9,229)	(8,585)	(8,432)
Retained earnings and net income	10,464	6,039	5,761
Total equity	28,630	24,689	24,373
Retirement benefit obligations	4,008	3,784	3,643
Borrowings, non-current portion	36,851	42,060	45,626
Total non-current liabilities	40,859	45,844	49,269
Trade and other current payables	48,037	39,378	36,716
Deferred revenues	33,891	33,369	33,676
Current income tax liabilities	208	76	325
Borrowings	9,625	15,475	10,061
Provisions for other liabilities and charges	2,253	2,551	1,969
Total current liabilities	94,014	90,849	82,747
Total equity and liabilities	163,503	161,382	156,389

(1) Down-payments from customers are now classified in “other current payables” and down-payments to suppliers in “other current assets” as at June 30, 2009.

Consolidated income statement

(in thousands of euros)	Three months ended June 30, 2010	Six months ended June 30, 2010	Three months ended June 30, 2009	Six months ended June 30, 2009
Revenues	48,871	91,833	37,187	74,777
Cost of goods sold	(13,538)	(25,691)	(10,646)	(21,703)
Gross profit	35,333	66,142	26,541	53,074
Research and development	(2,594)	(5,121)	(2,296)	(4,706)
Selling, general and administrative expenses	(27,383)	(52,680)	(26,520)	(53,852)
Income (loss) from operations	5,356	8,341	(2,275)	(5,484)
Financial income	74	104	83	140
Financial expense	(881)	(1,866)	(880)	(1,915)
Foreign exchange income (loss)	(710)	(656)	648	523
Income (loss) before tax	3,839	5,923	(2,424)	(6,736)
Income tax	(1,108)	(1,569)	1,219	2,378
Net income (loss)	2,731	4,354	(1,205)	(4,358)

(in euros)				
Earnings per share				
- basic	0.10	0.16	(0.04)	(0.16)
- diluted	0.10	0.16	(0.04)	(0.16)
Shares used in calculating earnings per share				
- basic	28,048,678	28,048,682	28,080,642	28,094,739
- diluted	28,048,678	28,048,682	28,080,642	28,094,739

Statement of comprehensive income

(in thousands of euros)	Three months ended June 30, 2010	Six months ended June 30, 2010	Three months ended June 30, 2009	Six months ended June 30, 2009
Net income (loss)	2,731	4,354	(1,205)	(4,358)
Currency translation adjustment	(302)	(644)	(113)	(389)
Effective portion of the change in fair value of currency hedges	(186)	(200)	228	1,210
Effective portion of the change in fair value of interest-rate swaps	321	349	300	(393)
Tax effect on the comprehensive income items	(45)	(50)	(176)	(272)
Comprehensive income (loss)	2,520	3,809	(966)	(4,202)

Consolidated statement of cash flows

(in thousands of euros)	Six months ended June 30, 2010	Six months ended June 30, 2009
I - OPERATING ACTIVITIES		
Net income (loss)	4,354	(4,358)
Depreciation and amortization	3,309	4,467
Non-cash operating expenses	101	(48)
Loss (profit) on sale of fixed assets	(29)	(10)
Changes in deferred income taxes, net value	503	(2,779)
Changes in inventories	(995)	3,152
Changes in trade accounts receivable	2,540	7,373
Changes in other current assets and liabilities	9,755	1,715
Net cash provided by (used in) operating activities	19,538	9,512
II - INVESTING ACTIVITIES		
Purchases of intangible assets	(543)	(760)
Purchases of property, plant and equipment	(395)	(628)
Proceeds from sales of intangible assets and property, plant and equipment	128	151
Purchases of financial assets	(154)	(176)
Proceeds from sales of financial assets	269	227
Net cash provided by (used in) investing activities	(695)	(1,186)
III - FINANCING ACTIVITIES		
Purchases of treasury shares	(149)	(179)
Sales of treasury shares	149	19
Proceeds from borrowings	400	-
Repayments of borrowings	(3,914)	(74)
Net cash provided by (used in) financing activities	(3,514)	(234)
Increase (decrease) in cash and cash equivalents	15,329	8,092
Cash and cash equivalents at the opening (1)	2,149	(6,725)
Increase (decrease) in cash and cash equivalents	15,329	8,092
Effect of changes in foreign exchange rates	(418)	(290)
Cash and cash equivalents at the closing (1)	17,060	1,077
Free cash flow before non-recurring items	19,354	8,406
Non-recurring items of the free cash flow	(511)	(80)
Free cash flow	18,843	8,326
Income tax paid (2)	(159)	367
Interest paid	1,476	1,628

(1) After deducting the amount of cash credit facilities used of €7.6 million at December 31, 2009, €6.1 million at June 30, 2009 and €16.9 million at December 31, 2008. Cash credit facilities have not been used at June 30, 2010.

(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	Share capital: Par value per share	Share capital: 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)							(4,358)	(4,358)
Other comprehensive income (loss)						(389)	545	156
Comprehensive income (loss)						(389)	(3,813)	(4,202)
Fair value of stock options							131	131
Sale (purchase) of treasury shares					(132)			(132)
Profit (loss) on treasury shares							(28)	(28)
Balances at June 30, 2009	28,495,514	0.97	27,641	1,033	(1,630)	(8,432)	5,761	24,373
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)							4,354	4,354
Other comprehensive income (loss)						(644)	99	(545)
Comprehensive income (loss)						(644)	4,453	3,809
Fair value of stock options							79	79
Sale (purchase) of treasury shares					161			161
Profit (loss) on treasury shares							(107)	(107)
Balances at June 30, 2010	28,495,514	0.97	27,641	1,033	(1,278)	(9,229)	10,464	28,630

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT JUNE 30, 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 June 30, 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 June 30, 2010 have been prepared in accordance with the same rules and methods as those applied in the preparation of the 2009 financial statements. They have been the subject of a limited review by the Statutory Auditors; the second quarter financial statements, taken separately, have not been reviewed.

The Group applies the European Commission Regulation of March 23, 2010 adopting certain international accounting standards as regards improvements to International Financial Reporting Standards (IFRS). In particular, this regulation amends IFRS 8 - Operating Segments, exempting the Group from presenting an indicator of total assets for each segments, since this indicator is not regularly provided to the chief operating decision maker.

The other standards and interpretations adopted by the European Union 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.

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 notably 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 the income from operations of those quarters.

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 7 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 June 30, 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 June 30, 2010, their combined revenues totaled €0.8 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. RESTATED STATEMENT OF FIRST-QUARTER INCOME STATEMENT

During the first-half 2010 accounting closing , the company identified an error in the accounting of the cost of sales of CAD/CAM equipment in Q1 2010, as a result of which gross margin and income from operations were both under reported by €0.7 million, and net income by €0.5 million.

In compliance with IAS 8, the Group has retroactively amended this error. The restated income statement for the first quarter of 2010 is presented below:

	Three months ended March 31, 2010	
(in thousands of euros)	Published on April 29, 2010	Restated
Revenues	42,962	42,962
Cost of goods sold	(12,853)	(12,153)
Gross profit	30,109	30,809
(in % of revenues)	70.1%	71.7%
Research and development	(2,527)	(2,527)
Selling, general and administrative expenses	(25,297)	(25,297)
Income (loss) from operations	2,285	2,985
(in % of revenues)	5.3%	6.9%
Profit (loss) before tax	1,384	2,084
Income tax	(228)	(461)
Net income (loss)	1,156	1,623

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

5.1 Q2 2010

	Three Months Ended June 30				
	2010		2009	Changes 2010/2009	
(in thousands of euros)	Actual	At 2009 exchange rates	Actual	Actual	Like-for-like
Revenues	48,871	46,444	37,186	+31%	+25%
Cost of goods sold	(13,538)	(13,295)	(10,645)	+27%	+25%
Gross profit	35,333	33,149	26,541	+33%	+25%
(in % of revenues)	72.3%	71.4%	71.4%	+0.9 point	+0.0 point
Research and development	(2,594)	(2,594)	(2,296)	+13%	+13%
Selling, general and administrative expenses	(27,383)	(26,506)	(26,520)	+3%	-0%
Income (loss) from operations	5,356	4,049	(2,275)	ns	ns
(in % of revenues)	11.0%	8.7%	-6.1%	+17.1 points	+14.8 points
Profit (loss) before tax	3,839	2,532	(2,424)	ns	ns
Income tax	(1,108)	na	1,219	ns	na
Net income (loss)	2,731	na	(1,205)	ns	na

5.2 First Half 2010

	Six Months Ended June 30				
	2010		2009	Changes 2010/2009	
(in thousands of euros)	Actual	At 2009 exchange rates	Actual	Actual	Like-for-like
Revenues	91,833	89,774	74,777	+23%	+20%
Cost of goods sold	(25,691)	(25,484)	(21,703)	+18%	+17%
Gross profit	66,142	64,290	53,074	+25%	+21%
(in % of revenues)	72.0%	71.6%	71.0%	+1.0 point	+0.6 point
Research and development	(5,121)	(5,121)	(4,706)	+9%	+9%
Selling, general and administrative expenses	(52,680)	(51,932)	(53,852)	-2%	-4%
Income (loss) from operations	8,341	7,237	(5,484)	ns	ns
(in % of revenues)	9.1%	8.1%	-7.3%	+16.4 points	+15.4 points
Profit (loss) before tax	5,923	4,819	(6,736)	ns	ns
Income tax	(1,569)	na	2,378	ns	na
Net income (loss)	4,354	na	(4,358)	ns	na

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

6.1 Q2 2010

Revenues by geographic region

	Three Months Ended June 30						
	2010			2009		Changes 2010/2009	
(in thousands of euros)	Actual	%	At 2009 exchange rates	Actual	%	Actual	Like-for-like
Europe, of which :	24,099	49%	24,036	20,134	54%	+20%	+19%
- France	4,642	9%	4,642	3,784	10%	+23%	+23%
Americas	10,417	21%	9,353	7,901	21%	+32%	+18%
Asia-Pacific	11,033	23%	9,898	6,681	18%	+65%	+48%
Other countries	3,323	7%	3,157	2,471	7%	+34%	+28%
Total	48,872	100%	46,444	37,187	100%	+31%	+25%

Revenues by product line

	Three Months Ended June 30						
	2010			2009		Changes 2010/2009	
(in thousands of euros)	Actual	%	At 2009 exchange rates	Actual	%	Actual	Like-for-like
Software, of which :	13,941	29%	13,335	11,491	31%	+21%	+16%
- New licenses	6,400	13%	6,042	3,893	11%	+64%	+55%
- Software evolution contracts	7,541	16%	7,293	7,598	20%	-1%	-4%
CAD/CAM equipment	13,219	27%	12,280	7,024	19%	+88%	+75%
Hardware maintenance and on-line services	9,117	19%	8,798	9,225	25%	-1%	-5%
Spare parts and consumables	10,109	21%	9,629	7,537	20%	+34%	+28%
Training and consulting services	2,334	5%	2,256	1,780	5%	+31%	+27%
Miscellaneous	152	0%	146	130	0%	+16%	+11%
Total	48,872	100%	46,444	37,187	100%	+31%	+25%

Breakdown of revenues between new systems sales and recurring revenues

	Three Months Ended June 30						
	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)	22,104	45%	20,723	12,827	34%	+72%	+62%
Recurring revenues (2), of which :	26,768	55%	25,721	24,360	66%	+10%	+6%
- Recurring contracts	16,192	33%	15,645	16,372	44%	-1%	-4%
- Other recurring revenues on the installed base	10,576	22%	10,076	7,988	22%	+32%	+26%
Total	48,872	100%	46,444	37,187	100%	+31%	+25%

(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.

6.2 First Half 2010

Revenues by geographic region

(in thousands of euros)	2010 Actual	2010 %	2010 At 2009 exchange rates	2009 Actual	2009 %	Changes 2010/2009 Actual	Changes 2010/2009 Like-for-like
Europe, of which :	47,338	52%	47,193	42,375	57%	+12%	+11%
- France	9,410	10%	9,410	7,610	10%	+24%	+24%
Americas	20,249	22%	19,519	15,376	21%	+32%	+27%
Asia-Pacific	18,819	20%	17,894	12,297	16%	+53%	+46%
Other countries	5,427	6%	5,168	4,729	6%	+15%	+9%
Total	91,833	100%	89,774	74,777	100%	+23%	+20%

(Six Months Ended June 30)

Revenues by product line

(in thousands of euros)	2010 Actual	2010 %	2010 At 2009 exchange rates	2009 Actual	2009 %	Changes 2010/2009 Actual	Changes 2010/2009 Like-for-like
Software, of which :	26,601	29%	26,044	23,748	32%	+12%	+10%
- New licenses	11,799	13%	11,469	8,536	12%	+38%	+34%
- Software evolution contracts	14,802	16%	14,575	15,212	20%	-3%	-4%
CAD/CAM equipment	23,610	26%	22,919	14,221	19%	+66%	+61%
Hardware maintenance and on-line services	17,960	20%	17,677	18,521	25%	-3%	-5%
Spare parts and consumables	19,074	21%	18,635	14,365	19%	+33%	+30%
Training and consulting services	4,276	5%	4,194	3,639	5%	+18%	+15%
Miscellaneous	312	0%	305	283	0%	+10%	+8%
Total	91,833	100%	89,774	74,777	100%	+23%	+20%

(Six Months Ended June 30)

Breakdown of revenues between new systems sales and recurring revenues

(in thousands of euros)	2010 Actual	2010 %	2010 At 2009 exchange rates	2009 Actual	2009 %	Changes 2010/2009 Actual	Changes 2010/2009 Like-for-like
Revenues from new systems sales(1)	39,997	44%	38,887	26,679	36%	+50%	+46%
Recurring revenues(2), of which :	51,836	56%	50,887	48,098	64%	+8%	+6%
- Recurring contracts	31,850	35%	31,361	32,943	44%	-3%	-5%
- Other recurring revenues on the installed base	19,986	22%	19,526	15,155	20%	+32%	+29%
Total	91,833	100%	89,774	74,777	100%	+23%	+20%

(Six Months Ended June 30)

(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.

Breakdown of revenues from new systems sales by market sector

	Six Months Ended June 30						
	2010			2009		Changes 2010/2009	
(in thousands of euros)	Actual	%	At 2009 exchange rates	Actual	%	Actual	Like-for-like
Fashion (apparel, accessories, footwear)	22,251	56%	21,711	17,198	64%	+29%	+26%
Automotive	9,535	24%	9,122	3,082	12%	+209%	+196%
Furniture	2,799	7%	2,714	3,173	12%	-12%	-14%
Other industries	5,412	14%	5,340	3,226	12%	+68%	+66%
Total	39,997	100%	38,887	26,679	100%	+50%	+46%

7. OPERATING SEGMENT INFORMATION

As at June 30, 2009 (in thousands of euros)	Europe	Americas	Asia-Pacific	Other countries	Corporate segment	Total
Revenues	42,375	15,376	12,297	4,729	-	74,777
Income (loss) from operations (1)	(481)	(1,383)	(1,877)	480	(2,223)	(5,484)

(1) The allocation of income (loss) from operations at June 30, 2009 has been modified consequent upon the revision in 2010 of gross margins rates used in the analysis of the performance of the regions.

As at June 30, 2010 (in thousands of euros)	Europe	Americas	Asia-Pacific	Other countries	Corporate segment	Total
Revenues	47,338	20,249	18,819	5,427	-	91,833
Income (loss) from operations	3,627	(526)	142	661	4,437	8,341

The European Commission Regulation of March 23, 2010 adopting certain international accounting standards as regards improvements to International Financial Reporting Standards (IFRS) amending IFRS 8—Operating segments, the Group has decided to no longer present an indicator of total assets for each segment.

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 June 30, 2009 was due to the sharp decline in regional segments' revenues during the first half-year of 2009, the share of gross margin on revenue allocated to this operating segment being insufficient to cover its overhead expenses.

8. CONSOLIDATED CASH FLOW SUMMARY

(in millions of euros)	Cash and cash equivalent	Financial debts	Net cash (+) Net debt (–)
Free cash flow before non-recurring items	19.3	-	19.3
Non-recurring items included in free cash flow	(0.5)	-	(0.5)
Sale and purchase of treasury shares	-	-	-
Change in borrowings	(3.5)	3.5	-
Impact of currency variations - other	(0.4)	-	(0.4)
Change in cash position for the period	14.9	3.5	18.4
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 June 30, 2010 (statement of financial position)	17.1	(46.5)	(29.4)
Use of cash credit facilities	-	-	-
Situation at June 30, 2010 (cash flow statement)	17.1	(46.5)	(29.4)

(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 and April 30, 2010 General Shareholders' Meetings.

Free cash flow at June 30, 2010 includes the receipt of €6.2 million in respect of the (French) research tax credit for 2009, following the renewal for 2010 of the policy of early repayment of research tax credits, under the French Government's economic stimulus plan. At the same time, a research tax credit of €2.9 million was recognized in the first half of 2010 but not received. Excluding the impact of research tax credits, first-half free cash flow was €15.5 million.

The working capital requirement fell by €11.3 million. Excluding the impact of the (French) research tax credit, the decline in working capital requirement comes to €8.0 million. This change flows primarily from a further decline of €2.5 million in trade accounts receivables receivable and from an increase in other current assets and payables (€6.5 million), in particular an increase in trade payables (€4.5 million), as a result of the rise in purchases, while inventories only increased by €1.0 million.

9. DEVELOPMENTS REGARDING THE LITIGATION WITH INDUYCO PENDING

The London High Court of Justice Dismissed Induyco's Action to Set Aside the Award Rendered by the International Arbitral Tribunal on October 21, 2009.

In a decision dated July 1, 2010, the London High Court of Justice dismissed Induyco's action to set aside the arbitral award rendered in London on October 21, 2009 and awarded Lectra its costs and fees of defending the action.

In accordance with the stock purchase agreement of Investronica Sistemas signed on April 2, 2004, between Induyco, the former shareholder, and Lectra, the parties agreed 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.

In its decision of October 21, 2009, in the arbitration initiated in June 2005 by Lectra against Induyco, the arbitral tribunal constituted pursuant to the Rules of the International Chamber of Commerce (with hearings in London) awarded Lectra €21.7 million[1] (plus interest):

- award on the merits: €15.1 million (plus interest since June 30, 2005 and post-award interest until payment),
- award as costs: €6.6 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 €25.2 million. Interest accrued between October 28, 2009, and June 30, 2010, amounts to €0.4 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 opposed the payment of the award by bringing proceedings in Spain and in England.

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.

The High Court's decision of July 1, 2010 puts an end to the action brought in England and strengthens Lectra's position that the suit brought in Spain—which hearings are now expected in the second half of 2010—to suspend the execution of the bank guarantees is entirely groundless.

Lectra is reinforced in its commitment to enforce its rights and recovery of the amounts due to it under the award.

The company Has not Recorded the Amounts Awarded by the Arbitral Tribunal in its Accounts

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 proceedings commenced by Induyco in Spain and the U.K., whose effect is to delay any receipt of payment of the award by Lectra, the company has not recognized in its financial statements the amount of €25.6 million at June 30, 2010 awarded by the arbitral tribunal, and the accounting methods applied to the arbitration procedure, as adopted at December 31, 2008, remain unchanged (see the 2008 and 2009 annual reports).

The aggregate amount of legal and expert fees, procedural and other costs incurred by Lectra since the beginning of the procedure and until June 30, 2010 amounts to €10.8 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 and will be deducted from the arbitral tribunal's award to Lectra once the award has been recorded in the company's accounts.

[1] *In a "clarification" of its ruling requested by the parties, in May 2010 the Tribunal rectified a material error in the amount of the legal costs awarded to Lectra on October 21, 2009. This explains the minor difference ($220,000 or approximately €0.15 million) relative to the figures previously published by the company.*

As all 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).

Finally, legal fees and costs of the new legal proceedings instituted by Induyco in Spain and the UK since October 28, 2009 (€0.9 million, of which €0.6 million in the first half-year of 2010) are expensed directly in charges over the period in which the corresponding proceedings take place. €0.6 million relates to the UK proceedings, which the High Court of Justice has ordered to be reimbursed by Induyco to Lectra.

10. TREASURY SHARES

Under the Liquidity Agreement administered by SG Securities (Paris), in the first half-year of 2010, the company purchased 67,975 shares and sold 67,568 shares at an average purchase price of €2.20. 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, 2010.

Consequently, at June 30, 2010, the company held 442,953 Lectra shares (or 1.6% of share capital) with an average purchase price of €2.89 entirely under the Liquidity Agreement.

11. BANK BORROWINGS AND LIQUIDITY

11.1 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 first half-yearly installment, €3.8 million, was repaid on June 30, 2010. The balance outstanding on the loan, i.e. €44.2 million, is repayable in seven half-yearly installments—€3.8 million on December 31, 2010, 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, which was not the case at June 30, 2010 based on the cash position at December 31, 2009.

Moreover, the contract provides for accelerated repayment of the portion actually collected of the arbitral award against Induyco, for an amount equal to 50% of the sum received in excess of approximately €15 million.

The repayment dates of the borrowing used in the table in note 11.3 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

The ratio of net financial borrowing to shareholders' equity (gearing) has been reduced from 1.93 at December 31, 2009 to 1.03 at June 30, 2010.

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.

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 note 12 below). The total effective rate after including the cost of the hedging instruments and amounts hedged at June 30, 2010 is 6.07%.

11.2 Liquidity

The table below summarizes the cash position, confirmed cash credit facilities available to the company, and its net financial debt, at June 30, 2010:

(in thousands of euros)	Limits	Utilizations	Available Amounts
Confirmed cash credit facilities			
- Until July 31, 2010	15,000	-	15,000
- Until June 15, 2011	4,000	-	4,000
- Until June 23, 2011	10,000	-	10,000
Total	29,000	-	29,000
Bank loan	44,160	44,160	-
Non-interest bearing repayable advances	2,316	2,316	-
Total financial debts	75,476	46,476	29,000
Cash and cash equivalents			17,060
Total	75,476	46,476	46,060

Based on cash and cash equivalents available at June 30, 2010, total liquidity available to the company at June 30, 2010, amounted to €46.1 million. This amount will be reduced to €31.1 million as of August 1, 2010, following the expiration of the €15 million cash credit facility.

11.3 Borrowings and Financial Debt

Schedule of borrowings at June 30, 2010, by category and maturity:

(in thousands of euros)	Short term Less than 1 year	Long term Between 1 and 5 years	 More than 5 years	Total
Bank loan	9,120	35,040	-	44,160
Interest-free repayable advances [(1)]	505	1,811	-	2,316
Cash facilities	-	-	-	-
Total	9,625	36,851	-	46,476

(1) The repayable advances correspond to public grants to finance R&D programs.

12. INTEREST-RATE HEDGING INSTRUMENTS

As stated in chapter 11 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 June 30, 2010 is a negative €1.8 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 June 30, 2010.

13. 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 half-year 2010 was $1.33/€1.

On February 19, 2010, the company hedged its exposure to the U.S. dollar for the second quarter by means of forward sales ($1.35/€1). While the company's income from operations was lifted by the dollar's sharp appreciation against the euro, with an average parity of $1.27/€1 in Q2, conversely these forward sales resulted in recognition of a foreign exchange translation loss of €0.6 million in the period.

On May 4, 2010, the company hedged its estimated U.S. dollar exposure for the second half of 2010 by purchasing a series of U.S. dollar puts at a strike price of $1.35/€1. The parity at the date of publication of this report was $1.30/€1. Consequently, an appreciation of the euro leading to a parity above the threshold of $1.35/€1 would have only a limited impact on the company's net income. On the other hand, the company would benefit from the real euro / dollar exchange rate up to a parity of $1.35/€1.

Exchange Risk Hedging Instruments

Exchange risk hedging instruments at June 30, 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 €0.1 million, intended to hedge existing positions;
- and from the aforementioned series of U.S. dollar puts with a strike price of $1.35/€1, and expiring between July 31 and December 31, 2010, total amount $17.6 million. Their fair value at

June 30, 2010 is a positive €0.1 million. Their effective portion, corresponding to their fair value in full, is fully recognized in shareholders' equity.

14. SENSITIVITY ANALYSIS

Sensitivity of 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) and $1.33/€1 in H1 2010.

At the date of publication of this report, the euro / dollar parity is $1.30/€1. Given the sharp appreciation in the dollar relative to the budgeted parity, and given a country (and hence currency) mix slightly different from the expected one, an average fall of $0.05 in the dollar against the euro (bringing the parity from $1.30/€1 to $1.35/€1 would mechanically reduce second-half revenue by around €1.3 million and income from operations by €0.7 million. Conversely, a $0.05 rise in the dollar against the euro (bringing the average parity to $1.25/€1) would boost revenue and income from operations by the same amounts.

As stated in note 13, having regard to the hedging instruments put in place for the second half, a rise in the euro parity above the threshold of $1.35/€1 would have only a limited impact on the company's net income, the decrease in income from operations being offset by a translation gain of an equivalent amount.

15. 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.

16. TAX AUDIT OF LECTRA SA

A tax audit has been ongoing since June 2010 at the parent company, Lectra SA, concerning fiscal years 2008 and 2009. The previous tax audit concerning fiscal years 2005 through 2007 did not give rise to any claim for back taxes.

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STATUTORY AUDITORS' REVIEW REPORT ON THE 2010 HALF-YEAR FINANCIAL INFORMATION

This is a free translation into English of the Statutory Auditors' review report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

LECTRA S.A.
16-18, rue Chalgrin
75016 Paris

In compliance with the assignment entrusted to us by 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 S.A.**, for the period from January 1st, 2010 to June 30, 2010;
- the verification of the information contained in the half-year 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 interim 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.

We have not reviewed the consolidated statement of income for the second quarter of the year 2010, the comparative second quarter 2009 figures and the restated statement of income disclosed in the note 4 of the condensed half-year consolidated financial statements.

Based on our review, and subject to 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 given in the half-year management report on the condensed half-year consolidated financial statements subject to our review. Except for the effect, if any, of the above limitation, 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 29, 2010

The Statutory Auditors
French original signed by

PricewaterhouseCoopers Audit SA	KPMG SA	
Bruno Tesnière	Anne Jallet-Auguste	Eric Junières