MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS FOR THE SECOND QUARTER AND FIRST-HALF 2012

To all Shareholders,

We report below on Lectra Group's business activity and consolidated financial statements for the second quarter and first half of 2012, 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 relevant as possible, detailed comparisons between 2012 and 2011 are based on 2011 exchange rates ("like-for-like") unless stated otherwise.

1. SUMMARY OF OPERATIONS FOR Q2 2012

With an average parity of $1.28/€1, the U.S. dollar was up 12% compared to Q2 2011 ($1.44/€1). This change, and that of other currencies, mechanically increased revenues 5% and income from operations €1.2 million (+26%) for the quarter at actual exchange rates, compared to like-for-like figures.

Orders Still Slowed by Persistently Weakened Economic Conditions

The company had expected the macroeconomic environment to remain as weak as in Q4 2011, for the first half of 2012 at least. Business conditions further weakened in the second quarter of 2012, and economic downturn in many developed and emerging countries.

Against this background, customers were increasingly hesitant to place new orders, with orders for new software licenses and CAD/CAM equipment down 20% compared to Q2 2011, at €17.7 million. Orders were down 18% for new software licenses and 21% for CAD/CAM equipment.

Sales of spare parts and consumables were down 2% at €11.2 million, reflecting a contraction in customers' production volumes, after rising a further 2% in Q1 2012.

Revenues and Financial Results Exceed Company Expectations

Revenues totaled €51.7 million, down 6% relative to Q2 2011, and down 1% at actual exchange rates.

Revenues from new systems sales (€23.4 million) were down 14%. Recurring revenues (€28.3 million) rose 1%, resulting from the combination of a 5% increase in revenues from recurring contracts and a 2% decline in revenues from spare parts and consumables.

Income from operations amounted to €5.5 million. Like-for-like, it was down €3.1 million (–41%), while the operating margin decreased by 5.4 percentage points to 10.6%. At actual exchange rates, income from operations was down €1.9 million (-26%) and the operating margin decreased by 3.6 percentage points.

Net income was €3.6 million, a decrease of €1.5 million (–30%) at actual exchange rates, compared to the Q2 2011 figure of €5.1 million.

Free cash flow was €2.9 million (€5.2 million in Q2 2011).

The Company's Transformation Plan is Proceeding as Intended

Despite the prevailing economic conditions, and as stated in its February 9 report, the company has decided to give precedence in 2012 to its long-term strategy rather than to profitability, strengthening its sales and marketing teams and pursuing its steadfast investment in R&D over the period 2012-2013.

This plan is proceeding as intended and its effects will start to be felt in full from 2014 onward, positioning the company to fully realize its growth potential in its most promising geographic markets and market sectors, once the economic crisis is over. For the current fiscal year, it represents a reinvestment equal to 2 percentage points of Lectra's operating margin. As a result, fixed overhead costs will rise by around €4.5 million as a result, or half of the total planned increase of €9 million (+9%). The company will continue to keep fixed overhead costs under very rigorous control.

Launch of the New Generation of Vector Cutters

On July 2, Lectra announced the launch of its new generation of Vector automated cutters for fabric as well as composite materials.

Lectra has dedicated exceptional resources to its development, giving birth to a complete, integrated and unique offer enabling customers to benefit from better control and optimization of their production, which in turn increases their competitiveness and profitability. Recognized by the world's experts as the best performing solution on the market, the previous generation of Vector, launched in February 2007, remains without equivalent to this day. With more than 1,600 cutters sold, it has enabled Lectra to increase its market share in all of its sectors of activity and to strengthen its leadership in fashion and automotive.

The company had previously launched the new Versalis range of leather cutters for the leather goods industry in mid-2011, for the automotive industry at the end of 2011, and at the beginning of 2012 for furniture.

2. FIRST-HALF CONSOLIDATED FINANCIAL STATEMENTS

With an average parity of $1.30/€1 for the first half of 2012, the U.S. dollar was up 8% compared to first-half 2011 ($1.40/€1). This change, and that of other currencies, mechanically increased revenues for the first-half by 4% and income from operations by €1.6 million (+20%) at actual exchange rates, compared to like-for-like figures.

Revenues and income hypotheses for the fiscal year formulated by the company on February 9, 2012, assumed that economic conditions would remain as weak as in Q4 2011 until June 30. Its roadmap anticipated, for the first-half, revenues of €95 million and income from operations of €7.2 million. At June 30, actual first-half performance is ahead of these expectations.

Orders

Orders for new software licenses and CAD/CAM equipment amounted to €36.7 million, down 18% relative to first-half 2011. Orders were down 14% for new software licenses and 19% for CAD/CAM equipment.

The situation remains contrasted in geographic terms. Orders booked in North America increased by 8% but were down 30% in South America, making a decline of 5% for the Americas as a whole. Orders fell by 14% in Europe, and by 34% in the Asia-Pacific region; they rose 16% in the rest of the world (Northern Africa, South Africa, Turkey, the Middle East, etc.).

Orders in emerging countries fell by 13%, though they remain predominant with 54% of total orders. Orders in developed countries were down 22% and represent 46% of total orders.

The decline in orders affected all market sectors: orders were down 16% in fashion, 19% in automotive, 20% in furniture, and 18% in the other industries. These markets respectively accounted for 50%, 36%, 7%, and 7% of the total amount of orders.

Revenues

First-half 2012 revenues totaled €99.5 million, down 6% like-for-like, and down 3% at actual exchange rates compared to first-half 2011.

Revenues increased by 13% in the Americas, but fell 9% in Europe, and 23% in the Asia-Pacific region. These three regions respectively accounted for 24%, 48% (including 10% for France), and 21% of total revenues. Revenues from the rest of the world increased by 25%, and represent 7% of total Group revenues.

Revenues from New Systems Sales

Revenues from new software licenses (€12.1 million) were down 13% and contributed 12% of total revenues (compared to 13% in first-half 2011).

CAD/CAM equipment revenues were down 14% at €27.4 million and accounted for 28% of total revenues (compared to 30% in 2011).

Revenues from training and consulting were down 22% at €3.9 million.

Overall, revenues from new systems sales were down 15% at €43.6 million and represented 44% of total revenues (compared to 48% in 2011).

Revenues from Recurring Contracts and Spare Parts and Consumables

Recurring revenues (€55.9 million) increased €1.1 million (+2%). They accounted for 56% of total revenues (52% in first-half 2011).

Revenues from recurring contracts—which represented 59% of recurring revenues and 33% of total revenues—totaled €33 million. After falling 3% in 2010 and 1% in 2011, they are now experiencing a return to growth in 2012, with a 4% increase in the first half.

Revenues from recurring contracts break down as follows:

- revenues from software evolution contracts (€15.6 million), up 5% compared to first-half 2011 and representing 16% of total revenues;
- revenues from CAD/CAM equipment maintenance contracts and from subscription contracts to the Group’s five International Call Centers (€17.4 million), which increased by 4% and represented 17% of total revenues.

Meanwhile, revenues from spare parts and consumables remained stable at €22 million.

Order Backlog

The order backlog at June 30, 2012 was down €2.2 million relative to January 1, at €8.3 million, as revenues for new software licenses and CAD/CAM equipment exceed orders for the same period. It was down sharply from the June 30, 2011 figure of €17.6 million.

The order backlog comprised €8 million for shipment in Q3 2012 and €0.3 million in Q4 2012.

Gross Profit Margin

The overall gross profit margin worked out to 72.6%. Like-for-like, it came to 72%, up 1.6 percentage points relative to first-half 2011 (70.4%).

This increase results from the combination of the change in product mix and the increased gross profit margin on all product lines.

It is important to note that personnel expenses and other operating expenses incurred in the execution of service contracts are not included in the cost of sales but are recognized in selling, general, and administrative expenses.

Overhead Costs

Total overhead costs were €62.9 million, up €2.4 million (+4%) compared to first-half 2011. They break down as follows:

- €56.4 million in fixed overhead costs, up €3.2 million (+6%);
- €6.5 million in variable costs, down €0.8 million (–12%).

The increase in fixed overhead costs reflects in particular the impacts of the company's transformation plan (see chapter 1).

Research and development costs were fully expensed in the period and included in fixed overhead costs. Before deducting the research tax credit applicable in France and certain R&D program grants, R&D costs amounted to €9 million and represented 9% of revenues (compared to €9.3 million and 9.1% in 2011). Net R&D costs after deduction of the French research tax credit amounted to €6 million (€6 million in 2011).

Change in Method of Accounting for Employee Pension Plans

As indicated in the management discussion and analysis of financial conditions and results of the operations of Q1 2012, released on April 28, the Group has decided to modify the method used to account for actuarial gains and losses on defined benefit pension plans, under the current IAS 19—Employee Benefits. Until December 31, 2011, actuarial gains and losses were recognized in full in the consolidated income statement. With effect from January 1, 2012, the Group has decided to recognize all actuarial gains and losses in the consolidated statement of comprehensive income. The impact of this decision is described in note 2 to the financial statements in this report.

Income from Operations and Net Income

Income from operations was €9.3 million. Like-for-like, it amounted to €7.8 million, and decreased of €5.1 million (–40%) relative to income from operations for the first half of 2011 (€12.9 million). At actual exchange rates, the decline was €3.5 million (–28%).

The operating margin was 9.4%. Like-for-like, it was down 4.5 percentage points compared to the operating margin of the first half of 2011 (12.6%). This represents a decrease of 3.2 percentage points at actual exchange rates.

Financial income and expenses represent a net charge of €0.6 million, down relative to the first half of 2011 (€0.9 million), due to the steep decline in the balance outstanding on the medium-term bank loan between the two periods. The net foreign exchange result was nil, as a consequence of hedges against U.S. dollar risks, put in place for the first half.

After an income tax charge of €2.5 million, net income was €6.3 million (€8.8 million in first half 2011), representing a fall of 29% at actual exchange rates.

Net earnings per share on basic capital were €0.22 and on diluted capital €0.21 (€0.31 and €0.30 per share, respectively, in first-half 2011).

Free Cash Flow

Free cash flow amounted to €8 million (€8.4 million in first half 2011). This figure results from cash flow provided by operating activities of €11 million (including a decrease in working capital requirement of €0.5 million), and cash flow used in investing activities of €3 million (see note 7 of the notes to this report).

There were no non-recurring items in the period, as compared to a €0.9 million non-recurring disbursement in first half 2011.

The research tax credit for the first half (€2.9 million) was accounted for but not received. If it had been received, free cash flow would have amounted to €10.9 million, exceeding net income by €4.6 million.

Shareholders' Equity

At June 30, 2012, consolidated shareholders' equity amounted to €58.4 million (€58.7 million at December 31, 2011) after payment on May 10, 2012 of the €6.3 million dividend declared in respect of fiscal 2011, as decided by the Ordinary Shareholders' Meeting of April 27, 2012.

This figure is calculated after deduction of treasury shares held solely within the Liquidity Agreement, now managed by Exane BNP Paribas. Treasury shares are carried at cost, i.e. €0.6 million (versus €0.7 million at December 31, 2011).

Cash and cash equivalents totaled €27.8 million (€26.3 million at December 31, 2011).

Financial borrowings totaled €17.3 million (€17.7 million at December 31, 2011), of which:

- €15.9 million corresponds to the 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. In light of early repayments made previously, contractual installments payable are reduced to €0.6 million in 2012. Due to the reduction in interest-rate swaps since July 1, 2012 and to their expiration on December 31, 2012, the gross effective interest rate will fall to 3.11% in the second half of 2012, and then to 1.91% until final repayment on December 31, 2013, assuming the 3-month Euribor remains identical to the rate at June 30, 2012.
- €1.4 million corresponds to interest-free government advances to help finance R&D programs.

Consequently, the net cash position was positive at €10.5 million at June 30, 2012 (€8.6 million at December 31, 2011).

3. SHARE CAPITAL – OWNERSHIP – SHARE PRICE PERFORMANCE

Change in Share Capital

As resolved by the Extraordinary Shareholders' Meeting of April 27, 2012, the par value of the shares making up the company's share capital has been raised from €0.97 to €1.00. Consequently, the share capital at June 30, 2012 totaled €28,919,871, divided into 28,919,871 shares with a par value of €1.00. It was €28,036,501.70, divided into 28,903,610 shares with a par value of €0.97, at December 31, 2011.

Share capital has increased by 16,261 shares since January 1, 2012, resulting from the exercise of stock options (an increase of €0.1 million of share capital together with total share premium).

On February 17, 2012, Schroder Investment Management Ltd (UK), on behalf of investment funds managed by it, reported that it had increased its shareholding above the threshold of 5% of the company's capital stock, and above the threshold of 5% of voting rights on February 21, and that at that date it held 5.12% of the capital stock and 5.04 % of the voting rights.

No other crossing of statutory thresholds has been notified to the company since January 1, 2012.

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 38% of the capital and the voting rights;
- Société Financière de l'Echiquier and Delta Lloyd Asset Management N.V. (Netherlands), each of which holds more than 10% (but less than 15%) of the capital and voting rights, on

behalf of investment funds managed by them.

- Schroder Investment Management Ltd (UK), which holds more than 5% (but less than 10%) of the capital and voting rights, on behalf of investment funds managed by them.

Treasury Shares—Signature of a New Liquidity Agreement with Exane BNP Paribas

On May 21, 2012 Lectra contracted with Exane BNP Paribas to act as liquidity provider under a Liquidity Agreement, signed in accordance with the Charter of Ethics of the *Association Française des Marchés Financiers* (AMAFI) recognized by the *Autorité des Marchés Financiers* (AMF). Previously, the Liquidity Agreement was managed by SG Securities (Société Générale).

Resources allocated to this new agreement are: 146,965 Lectra shares and €17,870 in cash. Additionally, Lectra may increase the resources allocated, if necessary, by contributing up to €1 million (with a maximum corresponding to the market value of 150,000 Lectra shares).

At June 30, 2012, the company held 0.4% of its own shares in treasury shares, solely within the framework of the Liquidity Agreement.

Share Price Performance and Trading Volumes

The company's share price at June 30, 2012, was €4.50, down 2.2% compared to December 31, 2011 (€4.60). The share price recorded a low of €4.04 on June 15 and a high of €5.42 on February 10. The CAC 40 index and the CAC Mid&Small index both rose 1% and 5% respectively over the same period.

According to Euronext statistics, the number of shares traded (2.3 million) was down 52%, and trading volumes (€10.7 million) were down 62% compared to the same period in 2011.

4. POST-CLOSING EVENTS

Leaving aside the launch of the new generation of Vector automated cutters, on July 2, no significant event has occurred since June 30, 2012.

5. FINANCIAL CALENDAR

The Q3 financial results will be published on October 25, after close of trading on NYSE Euronext.

6. BUSINESS TRENDS AND OUTLOOK

The company described its outlook for the current year and for the medium term at length in its financial review on February 9, 2012, and in its 2011 Annual Report, to which readers are invited to refer.

It stated that the year 2011 ended with the return to a situation of economic, financial and monetary crisis of unknown scale and duration, in addition to downward revisions of growth forecasts for 2012 and 2013 for most developed and emerging countries. Upcoming elections in several countries could further accentuate uncertainties.

Macroeconomic conditions have not improved since the beginning of the year, and have even shown signs of worsening. Causes of this new deterioration include persistent concerns over the sovereign debt of the United States and of certain European countries, as well as the Eurozone crisis and its global repercussions, and slower growth in certain emerging countries, China and India in particular. Growth forecasts for most countries for 2012 and 2013 have consequently been downgraded in the weeks prior to publication of this report.

Even more than deteriorating macroeconomic conditions, the company emphasized that the alternation of good news and bad news, the lack of visibility, and companies' growing concerns

pending signs of a sustainable improvement in the economy will weigh heavily on those companies' investment decisions. This situation remains unchanged, caution and vigilance must therefore be maintained.

The company nevertheless entered 2012 having entirely transformed its financial and operating fundamentals relative to the eve of outbreak of the crisis in 2008-2009. Its balance sheet has been radically transformed and is now very strong. Its positive net cash position of €10.5 million is a significant asset.

2012 Outlook

Given these conditions, the company formulated two revenue and income hypotheses for the fiscal year, on February 9, 2012, which were identical for the first half of the year, then diverged for the second half depending on economic conditions.

The first hypothesis assumed that economic conditions in the first half of the year would remain as weak as in Q4 2011 and then return to their level of the first half of 2011. The second hypothesis assumed that the economy would remain as weak throughout the year.

Under this second hypothesis, currently the most probable, the company considered that orders for new systems could fall 17%, with corresponding revenues falling around 24%. This would result in total revenues of approximately €190 million. Income from operations before non-recurring items would come to around €15 million, generating an operating margin before non-recurring items of approximately 8%, and net income of approximately €10 million—exceeding the company's pre-crisis performance. These figures were based on an average parity of $1.30/€1.

The company's first-half performance is ahead of this scenario, suggesting that revenue and income could exceed these figures if this advance was maintained in the second half.

On July 5, 2012, the company hedged its net estimated U.S. dollar exposure for the second half by purchasing dollar puts and euro calls guaranteeing a parity of $1.30/€1 if exercised, while fully benefitting from any dollar appreciation below this parity. If the parity remains at its current level of $1.21/€1 at the date of this report, this parity would have a positive impact on second half revenue and income from operations (see note 14 to this report).

The Company is Confident in its Medium-Term Growth Prospects

As the very strong rebound in orders in 2010 and in the first half of 2011 showed, once the crisis is definitely over, companies in the different geographic markets and market sectors served by the company will need to accelerate their investment plans or make good the investments they have either frozen or postponed over several years and to acquire the technologies necessary to boost their competitiveness. The crisis and its further developments in 2012 have amplified the challenges they face.

Bolstered by its performance in 2010 and 2011, the strength of its business model and the pertinence of its 2012 action plan, the company is confident in its growth prospects for the medium term.

The Board of Directors

July 26, 2012

Company Certification of the First-Half 2012 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 26, 2012

Daniel Harari	Jérôme Viala
Chief Executive Officer	Chief Financial Officer

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS (in thousands of euros)	As at June 30, 2012	As at December 31, 2011	As at June 30, 2011
Goodwill	31,558	31,309	30,371
Other intangible assets	4,910	4,742	5,244
Property, plant and equipment	12,576	11,589	10,810
Non-current financial assets	1,856	1,899	1,627
Deferred tax assets	8,905	9,543	10,909
Total non-current assets	59,805	59,081	58,961
Inventories	23,024	21,112	21,633
Trade accounts receivable	34,690	44,533	36,923
Current income tax receivable	13,325	10,841	9,580
Other current assets	7,289	6,346	7,794
Cash and cash equivalents	27,804	26,320	31,035
Total current assets	106,132	109,152	106,965
Total assets	165,937	168,233	165,926

EQUITY AND LIABILITIES (in thousands of euros)	As at June 30, 2012	As at December 31, 2011	As at June 30, 2011
Share capital	28,920	28,037	28,018
Share premium	2,524	2,487	2,453
Treasury shares	(589)	(722)	(446)
Currency translation adjustment	(8,731)	(8,816)	(9,130)
Retained earnings and net income	36,249	37,700	26,982
Total equity	58,374	58,686	47,876
Benefit pension liabilities and other employee benefits	5,414	4,512	4,108
Borrowings, non-current portion	6,629	16,684	21,936
Total non-current liabilities	12,043	21,196	26,044
Trade and other current payables	44,472	46,696	47,417
Deferred revenues	36,304	35,722	33,543
Current income tax liabilities	758	1,776	1,327
Borrowings, current portion	10,631	1,005	6,336
Provisions for other liabilities and charges	3,355	3,152	3,383
Total current liabilities	95,520	88,351	92,006
Total equity and liabilities	165,937	168,233	165,926

CONSOLIDATED INCOME STATEMENT

(in thousands of euros)	Three months ended June 30, 2012	Six months ended June 30, 2012	Three months ended June 30, 2011	Six months ended June 30, 2011
Revenues	51,664	99,477	52,352	102,129
Cost of goods sold	(14,364)	(27,240)	(15,805)	(30,228)
Gross profit	37,300	72,237	36,547	71,901
Research and development	(2,948)	(6,027)	(3,082)	(6,019)
Selling, general and administrative expenses	(28,859)	(56,876)	(26,046)	(53,001)
Income (loss) from operations	5,493	9,334	7,419	12,881
Financial income	85	162	160	268
Financial expenses	(391)	(775)	(624)	(1,192)
Foreign exchange income (loss)	128	5	(141)	112
Income (loss) before tax	5,315	8,726	6,814	12,069
Income tax	(1,740)	(2,457)	(1,690)	(3,277)
Net income (loss)	3,575	6,269	5,124	8,792

(in euros)				
Earnings per share				
- basic	0.12	0.22	0.18	0.31
- diluted	0.12	0.21	0.17	0.30
Shares used in calculating earnings per share				
- basic	28,774,418	28,769,825	28,749,907	28,611,406
- diluted	29,185,837	29,234,916	29,513,192	29,315,615

STATEMENT OF COMPREHENSIVE INCOME

(in thousands of euros)	Three months ended June 30, 2012	Six months ended June 30, 2012	Three months ended June 30, 2011	Six months ended June 30, 2011
Net income (loss)	3,575	6,269	5,124	8,792
Currency translation adjustment	225	85	(79)	(253)
Actuarial gains (losses) on defined benefit pension liabilities	(3)	(919)	-	-
Effective portion of the change in fair value of interest-rate swaps	126	219	222	635
Tax effect on the comprehensive income items	(42)	158	(74)	(212)
Comprehensive income (loss)	3,881	5,812	5,193	8,962

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of euros)	Six months ended June 30, 2012	Six months ended June 30, 2011
I - OPERATING ACTIVITIES		
Net income (loss)	6,269	8,792
Depreciation and amortization	3,722	1,837
Non-cash operating expenses	(252)	302
Loss (profit) on sale of fixed assets	(37)	(9)
Changes in deferred income taxes, net value	862	1,608
Changes in inventories	(2,198)	(1,321)
Changes in trade accounts receivable	9,113	4,689
Changes in other current assets and liabilities	(6,455)	(6,123)
Net cash provided by (used in) operating activities	11,024	9,775
II - INVESTING ACTIVITIES		
Purchases of intangible assets	(1,007)	(615)
Purchases of property, plant and equipment	(2,152)	(1,021)
Proceeds from sales of intangible assets and property, plant and equipment	118	98
Purchases of financial assets	(363)	(336)
Proceeds from sales of financial assets	420	449
Net cash provided by (used in) investing activities	(2,984)	(1,425)
III - FINANCING ACTIVITIES		
Proceeds from issuance of ordinary shares	53	1,788
Dividends paid	(6,330)	(5,164)
Purchases of treasury shares	(237)	(516)
Sales of treasury shares	285	848
Proceeds from long term and short term borrowings	-	-
Repayments of long term and short term borrowings	(374)	(4,320)
Net cash provided by (used in) financing activities	(6,603)	(7,364)
Increase (decrease) in cash and cash equivalents	1,437	986
Cash and cash equivalents at the opening	26,320	30,174
Increase (decrease) in cash and cash equivalents	1,437	986
Effect of the consolidation of Lectra Morocco	137	-
Effect of changes in foreign exchange rates	(90)	(125)
Cash and cash equivalents at the closing	27,804	31,035
Free cash flow before non-recurring items	8,040	9,253
Non-recurring items of the free cash flow	-	(903)
Free cash flow	8,040	8,350
Income tax paid (reimbursed)	2,088	(70)
Interest paid	403	860

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in thousands of euros, except for par value per share expressed in euros)	Share capital Number of shares	Par value per share	Total par value	Share premium	Treasury shares	Currency translation adjustment	Retained earnings and net income	Equity
Balances at January 1, 2011	28,499,014	0.97	27,644	1,039	(386)	(8,877)	22,612	42,032
Net income (loss)							8,792	8,792
Other comprehensive income (loss)						(253)	423	170
Comprehensive income (loss)						(253)	9,215	8,962
Exercised stock options	385,046	0.97	373	1,414				1,787
Fair value of stock options							58	58
Sale (purchase) of treasury shares					(60)			(60)
Profit (loss) on treasury shares							261	261
Dividends paid							(5,164)	(5,164)
Balances at June 30, 2011	28,884,060	0.97	28,018	2,453	(446)	(9,130)	26,982	47,876
Balances at January 1, 2011	28,499,014	0.97	27,644	1,039	(386)	(8,877)	22,612	42,032
Net income (loss) (1)							19,456	19,456
Other comprehensive income (loss) (1)						61	294	355
Comprehensive income (loss)						61	19,750	19,811
Exercised stock options	404,596	0.97	392	1,449				1,841
Fair value of stock options							257	257
Sale (purchase) of treasury shares					(336)			(336)
Profit (loss) on treasury shares							245	245
Dividends paid							(5,164)	(5,164)
Balances at December 31, 2011	28,903,610	0.97	28,037	2,487	(722)	(8,816)	37,700	58,686
Net income (loss)							6,269	6,269
Other comprehensive income (loss)						85	(542)	(457)
Comprehensive income (loss)						85	5,727	5,812
Increase of par value per share		0.03	868				(868)	0
Exercised stock options	16,261	0.97	16	37				53
Fair value of stock options							76	76
Sale (purchase) of treasury shares					133			133
Profit (loss) on treasury shares							(56)	(56)
Dividends paid							(6,330)	(6,330)
Balances at June 30, 2012	28,919,871	1.00	28,920	2,524	(589)	(8,731)	36,249	58,374

(1) As required in IAS 8, the impacts of the change in the method of recognition of actuarial gains and losses arising from the measurement of defined benefit pensions in the statement of comprehensive income, as explained in note 2 to the consolidated financial statements for the first-half 2012 below, are restated in the consolidated statement of changes in equity at December 31, 2011.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT JUNE 30, 2012

1. BUSINESS ACTIVITY

Lectra was established in 1973 and has been listed on NYSE Euronext (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), furniture and a wide variety of other industries, such as aeronautical and marine industries, wind turbines, 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 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 a few 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 1,350 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 90% of its revenues directly in 2011. 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) for Europe and international visitors, and its two International Advanced Technology Centers at Atlanta (U.S.A.) for North and South America, and Shanghai (China) for Asia and the Pacific. Lectra is geographically close to its customers wherever they are, with nearly 740 employees dedicated to marketing, sales and services. It employs 220 engineers dedicated to R&D, and 150 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 Board 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, 2012 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 and attached notes for the fiscal year 2011, available on www.lectra.com.

The consolidated financial statements at June 30, 2012 have been prepared in accordance with the same rules and methods as those applied in the preparation of the 2011 financial statements, with the exception of the point presented below concerning recognition of defined benefit pension liabilities. They have been prepared under the responsibility of the Board of Directors at its meeting of July 26, 2012. They have been the subject of a limited review by the Statutory Auditors; the Q2 financial statements have not been reviewed separately.

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 2012 figures restated at 2011 exchange rates, in comparison with actual data for 2011.

Change of Accounting Method—Recognition of Actuarial Gains and Losses on Benefit Pension Liabilities in the Statement of Comprehensive Income

The Group has decided to modify the method used to account for actuarial gains and losses on defined benefit pension plans, under the current IAS 19—Employee Benefits.

Until December 31, 2011, actuarial gains and losses were recognized in full in the consolidated income statement. With effect from January 1, 2012, the Group has decided to recognize all actuarial gains and losses in the consolidated statement of comprehensive income. This change of accounting

method was decided on in preparation of the application of the revised IAS 19 standard in 2013, under which this option to recognize actuarial gains and losses in equity will become compulsory. The Group considers that this change of method will make the consolidated financial statements more relevant, thereby elimination the impact of the volatility of actuarial assumptions on the computation of defined benefit pension liabilities in the consolidated income statement.

Consistent with IAS 8—Accounting policies, changes in accounting estimates and errors, this change of method has been applied retroactively and the financial statements for 2011 have therefore been restated as follows:

CONSOLIDATED INCOME STATEMENT Twelve months ended December 31	2011 published	2011 restated
Revenues	205,923	205,923
Cost of goods sold	(61,613)	(61,613)
Gross profit	144,310	144,310
Research and development	(11,463)	(11,463)
Selling, general and administrative expenses	(103,925)	(103,544)
Income (loss) from operations	28,922	29,303
Income (loss) before tax	27,209	27,590
Income tax	(8,012)	(8,134)
Net income (loss)	19,197	19,456

STATEMENT OF COMPREHENSIVE INCOME Twelve months ended December 31	2011 published	2011 restated
Net income (loss)	19,197	19,456
Currency translation adjustment	61	61
Actuarial gains (losses) on defined benefit pension liabilities	-	(381)
Effective portion of the change in fair value of interest-rate swaps	837	837
Tax effect on the comprehensive income items	(284)	(162)
Comprehensive income (loss)	19,811	19,811

Total actuarial losses on pension liabilities for 2011, amounting to €381,000 and recognized in the published 2011 financial statements in “Selling, General and Administrative Expenses”, are shown after restatement on a specific new line titled “Actuarial gains (losses) on defined benefit pension liabilities” in the consolidated statement of comprehensive income. The corresponding tax charge of €122,000, recognized in “Income tax” in the published 2011 financial statements, has been reclassified in “Tax effect on the comprehensive income items” in the statement of comprehensive income. In light of these items, this restatement has increased net income by €259,000, comprehensive income and consolidated equity remaining unchanged at December 31, 2011.

Because actuarial gains and losses on defined benefit pension liabilities are calculated at year-end only, this restatement concerns only the Q4 2011 and full-year 2011 financial statements.

Impact of the French Government’s Second Supplementary Finance Bill Project for 2012

In the view of the Group, the only impact arising from enactment of the French Government’s second supplementary finance bill project for 2012, now before Parliament, concerns the increase in the tax rate (*forfait social)* from 8% to 20% on amounts paid out in respect of incentive plans (*prime d’intéressement*) for the sole benefit of employees of the parent company, Lectra SA. If the act had been promulgated before June 30, the Group would have been required to recognize an additional charge of approximately €0.1 million in its first-half 2012 financial statements.

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 consolidated financial statements, related to 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, billed in advance, 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 development costs in assets at the moment they occur are not met, and these, together with research 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.

Basic and Diluted 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 in the revised version of 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.

Borrowings and Financial Debt

The non-current portion of borrowings and financial debt comprises the portion due in more than one year of:

- the 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, where applicable.

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 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 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 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 clients; 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 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 profit is retained in the income computed for the Corporate segment sufficient to cover its costs. The Corporate

segment's general overheads, most of which are fixed, its margin profit and consequently its income from operations therefore depend mainly on the volume of business generated by marketing regions.

3. SCOPE OF CONSOLIDATION

At June 30, 2012, the Group's scope of consolidation comprised Lectra SA together with 27 fully-consolidated companies.

A subsidiary of Lectra SA, Lectra Maroc SARL, which was not until then included in the Group's scope of consolidation, was fully consolidated for the first time on January 1, 2012. The impact on the Group financial statements at June 30, 2012 of this first-time consolidation is not material.

There were no other changes in the scope of consolidation during the first-half 2012.

Four sales and service subsidiaries are not consolidated, their revenues being immaterial both separately and in the aggregate. At June 30, 2012, their combined revenues totaled €0.4 million, and their combined assets in their statement of financial position totaled €1.4 million. They had no non-Group financial debt. Most of these subsidiaries' sales activity is billed directly by the parent company, Lectra SA.

Transactions with these related parties mainly concern purchases from the parent company for the purposes of their local operations, or charges and commissions billed to the parent company in order to cover their overheads in the case of agents. The amount concerned by these transactions was not material at June 30, 2012.

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

4.1 Q2 2012

	Three Months Ended June 30				
	2012		2011	Changes 2012/2011	
(in thousands of euros)	Actual	At 2011 exchange rates	Actual	Actual	Like-for-like
Revenues	51,664	49,198	52,352	-1%	-6%
Cost of goods sold	(14,364)	(14,130)	(15,805)	-9%	-11%
Gross profit	37,300	35,068	36,547	+2%	-4%
(in % of revenues)	72.2%	71.3%	69.8%	+2.4 points	+1.5 points
Research and development	(2,948)	(2,948)	(3,082)	-4%	-4%
Selling, general and administrative expenses	(28,859)	(27,777)	(26,046)	+11%	+7%
Income (loss) from operations	5,493	4,343	7,419	-26%	-41%
(in % of revenues)	10.6%	8.8%	14.2%	-3.6 points	-5.4 points
Profit (loss) before tax	5,315	4,165	6,814	-22%	-39%
Income tax	(1,740)	na	(1,690)	+3%	na
Net income (loss)	3,575	na	5,124	-30%	na

4.2 First-Half 2012

(in thousands of euros)	Six Months Ended June 30				
	2012		2011	Changes 2012/2011	
	Actual	At 2011 exchange rates	Actual	Actual	Like-for-like
Revenues	99,477	96,071	102,129	-3%	-6%
Cost of goods sold	(27,240)	(26,902)	(30,228)	-10%	-11%
Gross profit	72,237	69,169	71,901	+0%	-4%
(in % of revenues)	72.6%	72.0%	70.4%	+2.2 points	+1.6 points
Research and development	(6,027)	(6,027)	(6,019)	+0%	+0%
Selling, general and administrative expenses	(56,876)	(55,371)	(53,001)	+7%	+4%
Income (loss) from operations	9,334	7,771	12,881	-28%	-40%
(in % of revenues)	9.4%	8.1%	12.6%	-3.2 points	-4.5 points
Profit (loss) before tax	8,726	7,163	12,069	-28%	-41%
Income tax	(2,457)	na	(3,277)	-25%	na
Net income (loss)	6,269	na	8,792	-29%	na

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

5.1 Q2 2012

Revenues by geographic region

(in thousands of euros)	Three Months Ended June 30						
	2012			2011		Changes 2012/2011	
	Actual	%	At 2011 exchange rates	Actual	%	Actual	Like-for-like
Europe, of which :	23,541	46%	23,412	25,318	48%	-7%	-8%
- France	4,795	9%	4,795	5,771	11%	-17%	-17%
Americas	12,580	24%	11,436	9,930	19%	+27%	+15%
Asia-Pacific	11,391	22%	10,122	13,910	27%	-18%	-27%
Other countries	4,153	8%	4,228	3,195	6%	+30%	+32%
Total	51,664	100%	49,198	52,353	100%	-1%	-6%

Revenues by product line

(in thousands of euros)	Three Months Ended June 30						
	2012			2011		Changes 2012/2011	
	Actual	%	At 2011 exchange rates	Actual	%	Actual	Like-for-like
Software, of which :	13,909	27%	13,378	13,884	27%	0%	-4%
- New licenses	5,970	12%	5,690	6,608	13%	-10%	-14%
- Software evolution contracts	7,939	15%	7,688	7,276	14%	+9%	+6%
CAD/CAM equipment	15,294	30%	14,291	16,433	31%	-7%	-13%
Hardware maintenance and on-line services	9,140	18%	8,777	8,559	16%	+7%	+3%
Spare parts and consumables	11,233	22%	10,732	10,990	21%	+2%	-2%
Training and consulting services	1,984	4%	1,921	2,349	4%	-16%	-18%
Miscellaneous	102	0%	100	138	0%	-26%	-28%
Total	51,664	100%	49,198	52,353	100%	-1%	-6%

Breakdown of revenues between new systems sales and recurring revenues

(in thousands of euros)	Three Months Ended June 30						
	2012			2011		Changes 2012/2011	
	Actual	%	At 2011 exchange rates	Actual	%	Actual	Like-for-like
Revenues from new systems sales[1]	23,351	45%	22,002	25,527	49%	-9%	-14%
Recurring revenues[2], of which :	28,313	55%	27,196	26,826	51%	+6%	+1%
- Recurring contracts	16,701	32%	16,099	15,354	29%	+9%	+5%
- Other recurring revenues on the installed base	11,612	22%	11,097	11,472	22%	+1%	-3%
Total	51,664	100%	49,198	52,353	100%	-1%	-6%

[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 punctual interventions, on the installed base, which are statistically recurrent.

5.1 First-Half 2012

Revenues by geographic region

(in thousands of euros)	Six Months Ended June 30						
	2012			2011		Changes 2012/2011	
	Actual	%	At 2011 exchange rates	Actual	%	Actual	Like-for-like
Europe, of which :	47,510	48%	47,349	51,816	51%	-8%	-9%
- France	10,354	10%	10,354	10,877	11%	-5%	-5%
Americas	24,245	24%	22,686	19,993	20%	+21%	+13%
Asia-Pacific	20,917	21%	19,118	24,764	24%	-16%	-23%
Other countries	6,804	7%	6,918	5,556	5%	+22%	+25%
Total	99,477	100%	96,071	102,129	100%	-3%	-6%

Revenues by product line

(in thousands of euros)	Six Months Ended June 30						
	2012			2011		Changes 2012/2011	
	Actual	%	At 2011 exchange rates	Actual	%	Actual	Like-for-like
Software, of which :	27,778	28%	27,038	28,046	27%	-1%	-4%
- New licenses	12,129	12%	11,748	13,446	13%	-10%	-13%
- Software evolution contracts	15,649	16%	15,290	14,600	14%	+7%	+5%
CAD/CAM equipment	27,438	28%	26,107	30,471	30%	-10%	-14%
Hardware maintenance and on-line services	18,179	18%	17,656	17,176	17%	+6%	+3%
Spare parts and consumables	22,042	22%	21,331	21,354	21%	+3%	0%
Training and consulting services	3,862	4%	3,765	4,838	5%	-20%	-22%
Miscellaneous	178	0%	175	244	0%	-27%	-28%
Total	99,477	100%	96,071	102,129	100%	-3%	-6%

Breakdown of revenues between new systems sales and recurring revenues

(in thousands of euros)	Six Months Ended June 30						
	2012			2011		Changes 2012/2011	
	Actual	%	At 2011 exchange rates	Actual	%	Actual	Like-for-like
Revenues from new systems sales[1]	43,607	44%	41,794	49,001	48%	-11%	-15%
Recurring revenues[2], of which :	55,870	56%	54,277	53,128	52%	+5%	+2%
- Recurring contracts	33,020	33%	32,158	30,889	30%	+7%	+4%
- Other recurring revenues on the installed base	22,850	23%	22,119	22,239	22%	+3%	-1%
Total	99,477	100%	96,071	102,129	100%	-3%	-6%

[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 punctual interventions, on the installed base, which are statistically recurrent.

Breakdown of revenues from new systems sales by market sector

(in thousands of euros)	Six Months Ended June 30						
	2012			2011		Changes 2012/2011	
	Actual	%	At 2011 exchange rates	Actual	%	Actual	Like-for-like
Fashion (apparel, accessories, footwear)	21,378	49%	20,808	29,808	61%	-28%	-30%
Automotive	15,680	36%	14,596	13,994	29%	+12%	+4%
Furniture	2,964	7%	2,926	2,531	5%	+17%	+16%
Other industries	3,584	8%	3,465	2,668	5%	+34%	+30%
Total	43,607	100%	41,794	49,001	100%	-11%	-15%

6. OPERATING SEGMENT INFORMATION

Six months ended June 30, 2012 (in thousands of euros)	Europe	Americas	Asia-Pacific	Other countries	Corporate segment	Total
Revenues	47,510	24,245	20,917	6,804	-	99,477
Income (loss) from operations before non-recurring items	3,121	4	(733)	817	6,125	9,334

Six months ended June 30, 2011 (in thousands of euros)	Europe	Americas	Asia-Pacific	Other countries	Corporate segment	Total
Revenues	51,816	19,993	24,764	5,556	-	102,129
Income (loss) from operations before non-recurring items	5,007	(31)	744	719	6,442	12,881

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 require reconciliation.

7. CONSOLIDATED CASH FLOW SUMMARY

(in millions of euros)	Cash and cash equivalent	Financial debts	Net cash (+) Net debt (–)
Free cash flow	8.0	-	8.0
Proceeds from issuance of ordinary shares(1)	0.1	-	0.1
Sale and purchase of treasury shares(2)	0.0	-	0.0
Dividends paid	(6.3)	-	(6.3)
Change in borrowings	(0.4)	0.4	-
Impact of the consolidation of Lectra Morocco	0.1	-	0.1
Impact of currency variations - other	(0.1)	-	(0.1)
Change in cash position for the period	1.5	0.4	1.9
Cash and cash equivalents at December 31, 2011	26.3	(17.7)	8.6
Cash and cash equivalents at June 30, 2012	27.8	(17.3)	10.5
Change in cash position for the period	1.5	0.4	1.9

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

(2) Carried out solely under the Liquidity Agreement administered by SG Securities (Société Générale Group) until May 21, thereafter by Exane BNP Paribas (see note 10).

Free cash flow amounted to €8 million for first-half 2012. This figure results from a combination of €11 million in cash flows provided by operating activities (including a decrease in working capital requirement of €0.5 million) and of €3 million in capital expenditures.

The main variations in working capital requirement are:

- −€9.1 million corresponding to a strong decrease in trade accounts receivable, taking into account the cash receipt of a significant portion of the recurring contracts at the beginning of the year, usually yearly in advance;
- +€2.2 million corresponding to an increase in inventories, a major part of this increase being related to the launch of the new Versalis leather-cutting offer;
- +€2.8 million arising from the increase in the (French) research tax credit receivable for the first-half, recognized but not received;
- +€1.9 million arising from the difference between the variable portion of Group salaries and the incentive plan (*prime d'intéressement*) for the sole benefit of employees of the parent company, Lectra SA, in respect of fiscal 2011 paid in 2012, on the one hand and the one recognized during first-half 2012 and payable in 2013 on the other hand.

The working capital requirement at June 30, 2012, was a negative €3.2 million. It comprised a receivable of €12.9 million in respect of the (French) research tax credit for FY 2010, FY 2011 and first-half 2012, which has not been received and has not been offset against a tax charge. Restated for this receivable, the working capital requirement was negative at €16.1 million, which is a key feature of the Group's business model.

8. LITIGATION WITH INDUYCO PENDING

A full discussion of this dispute is described in note 23 to the 2011 consolidated financial statements, to which readers are invited to refer.

In its ruling on October 21, 2009, the International Court of Arbitration Awarded Lectra €26.1 million in Damages and Interest (as of June 30, 2012)

In June 2005, Lectra initiated arbitration proceedings against Induyco (a member of the Spanish group El Corte Inglés), the former shareholder of Investronica Sistemas, following the acquisition of this company. Under the stock purchase agreement signed on April 2, 2004, the parties agreed that any disputes arising out of the stock purchase agreement would be finally settled by international arbitration under the Rules of the International Chamber of Commerce in London, England.

In its decision of October 21, 2009, the international arbitral tribunal awarded Lectra €21.7 million (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).

Induyco refused to honor the award, which was binding on it under international law, and commenced an action in England to set aside the award (the London High Court of Justice dismissed this action in its entirety and denied leave to appeal).

Following the September 20, 2010 decision of the Madrid Court of Appeals, Lectra called on the first demand bank guarantees provided by Induyco and received €15.1 million.

In its decision of *exequátur* issued on June 27, 2011, the Madrid Court of First Instance recognized the arbitral award. It has thus recognized the award is valid and enforceable in Spain and rejected Induyco's challenge to Lectra's application for *exequátur*. Confirming the validity and enforceability of the award in Spain, this decision represents a major milestone in the settlement of this dispute. Induyco appealed this judgment, and the two parties have submitted their written findings at the end of 2011. The Madrid Court of Appeal is expected to hand down its decision in the course of first-half 2013.

The Company Has Only Recorded in its Accounts €15.1 Million Actually Received on the Full Amount of the Arbitral Award of €26.1 Million

Induyco having appealed the June 27, 2011 Madrid Court of First Instance decision, this decision has not entailed any modification of the recognition of the award in the Group's financial statements: the balance (€11 million) of the total amount of the award (€26.1 million at June 30, 2012) still due by Induyco was not recorded in the financial statements at June 30, 2012 and will only be recorded upon its receipt.

As all of the costs incurred by Lectra (excluding those relative to the procedures pending in Spain) have already been paid, the execution of the arbitral decision will result in a cash inflow equal to the balance of the award still owed by Induyco.

9. DEFINED BENEFIT PENSION LIABILITIES

Defined benefit pension liabilities amounted to €5.4 million at June 30, 2012, versus €4.5 million at December 31, 2011, an increase of €0.9 million.

During the first quarter of 2012, the Group conducted a thorough review of all of the actuarial assumptions used to measure its defined benefit pension liabilities, with the assistance of independent actuaries. In light of this review, the Group has increased the corresponding provision in the statement of financial position by €0.9 million (including €0.7 million for the parent company Lectra SA) and has recognized an actuarial loss of the same amount in the consolidated statement of comprehensive income for Q1 2012. The impact after tax is €0.7 million.

10. TREASURY SHARES—SIGNATURE OF A NEW LIQUIDITY AGREEMENT WITH EXANE BNP PARIBAS

On April 11, 2012, SG Securities (Société Générale) notified Lectra of the termination of its Liquidity Agreement, signed with Lectra on September 15, 2005.

As of May 21, 2012, Lectra has entrusted Exane BNP Paribas as liquidity provider for an initial period ending on December 31, 2012, thereafter automatically renewable annually, within the frame of a Liquidity Agreement signed in accordance with the Charter of Ethics of the French *Association Française des Marchés Financiers* (AMAFI) recognized by the *Autorité des Marchés Financiers* (AMF).

The resources allocated to the previous contract (146,965 Lectra shares and €17,870 in cash) have been allocated to the liquidity account under this new Liquidity Agreement.

Lectra may increase the resources allocated, if necessary, by contributing up to €1 million (with a maximum corresponding to the market value of 150,000 Lectra shares).

The company purchased 53,175 shares and sold 63,323 shares at an average price of €4.45 and €4.51 respectively under these Liquidity Agreements, in the course of first-half 2012.

Consequently, at June 30, 2012, the company held 123,706 Lectra shares (i.e. 0.4% of share capital) with an average purchase price of €4.76 entirely under the Liquidity Agreement.

11. LIQUIDITY AND BANK BORROWINGS

11.1 Cash and Cash Equivalents and Net Cash

(in thousands of euros)	As at June 30, 2012	As at December 31, 2011
Cash and cash equivalents	27,804	26,320
Total borrowings	(17,260)	(17,689)
Net cash (net financial debt)	10,544	8,631

The Group's net cash improved by €1.9 million in the first half of 2012, after payment of a €6.3 million dividend.

11.2 Borrowings and Financial Debts by Category and by Maturity

At June 30, 2012, the repayment schedule is as follows:

	Short term	Long term		
(in thousands of euros)	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Medium-term bank loan (1)	10,160	5,760	-	15,920
Interest-free repayable advances (2)	471	869	-	1,340
Cash facilities	-	-	-	-
Total	10,631	6,629	-	17,260

(1) The repayment dates of the borrowing used in the table above are the contractual payment dates, at the latest, in light of repayments already made as at June 30, 2012, without taking into account the accelerated repayments under the various contract clauses concerned.
(2) The repayable advances correspond to public grants to finance R&D programs.

11.3 Medium-term Bank Loan

In 2007, the company contracted a €48 million medium-term bank loan from Société Générale and Natixis in order to finance the public stock buyback tender offer for 20% of the company's share capital, carried out in May 2007, at a price of €6.75 per share.

In the course of 2011, the company made a repayment of €3.8 million on June 30, ahead of the scheduled repayment date, pursuant to the excess cash flow clause in the loan contract (there will be no repayment under this clause in 2012) and a voluntary repayment of €10 million on December 31 (in addition to the contractual repayments which were reduced to €0.6 million due to the repayment ahead of schedule for €10 million made on December 31, 2010).

The balance outstanding on the loan, i.e. €15.9 million at June 30, 2012, is repayable in three half-yearly installments: €0.6 million on December 31, 2012, €9.6 million on June 30, 2013 and €5.8 million on December 31, 2013.

In 2012, as in 2011, the loan carried interest at the 3-month Euribor rate plus a margin set at 0.95% per year.

The company had 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 interest rate after including the cost of the hedging instruments and amounts hedged is 5.08% for first-half 2012.

11.4 Covenants

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 borrowing in its entirety in the event of failure to comply with these ratios; in that event the company would contact its banks in order to come to a satisfactory arrangement.

Given that the Group's cash and cash equivalents available exceeded its financial debt at December 31, 2011 (see note 11.1), the two covenants were *de facto* respected in 2011.

The ratios to be respected in 2012 are as follows:

- Leverage: <1.7
- Gearing: <1

The company considers that it will be in compliance with both covenants at December 31, 2012.

The specific clauses attaching to these covenants and the other contractual conditions, concerning in particular early repayment of the borrowing, are presented in detail in note 13.2.2 to the 2011 consolidated financial statements, to which readers are invited to refer.

12. INTEREST-RATE HEDGING INSTRUMENTS

As stated in note 11 above, the company has hedged its interest-rate risk exposure in connection with a portion of the €48 million medium-term bank loan by converting the floating interest rate payable on the borrowing (3-month Euribor rate) into a fixed rate via two interest-rate swap contracts. The interest-rate has been hedged on the basis of the best estimate of the amount of the borrowing 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 borrowing, they meet the hedge accounting criteria as defined by IFRS. Their fair value at June 30, 2012 is a negative €0.1 million. 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 during the first-half 2012.

As at July 1, 2012 and until December 31, 2012 (when the interest-rate swaps expire), the nominal value of interest-rate swaps has been reduced to €5 million (against €13 million on January 1, 2012). Consequently, in the event that the 3-month Euribor rate remains identical to that at June 30, 2012 (0.93%), the total effective implied interest rate including the cost of the hedging instruments and the amounts hedged would be reduced to 3.11% in the second half of 2012, then to 1.91% until payment of the final installment, due on December 31, 2013.

13. FOREIGN EXCHANGE RISK

The Group's exposure to currency risks and its currency risk management policy are unchanged relative to December 31, 2011.

Exchange Risk Hedging Instruments

Exchange risk hedging instruments at June 30, 2012 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 €2.4 million, intended to hedge existing positions.

On July 5, 2012, the company hedged its net estimated U.S. dollar exposure for the second half of 2012 by purchasing dollar puts and euro calls, guaranteeing a parity of $1.30/€1 if exercised, while fully benefitting from any dollar appreciation below this parity.

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 €0.45 million.

Sensitivity of Revenues and Income from Operations to a Change in the Dollar/Euro Parity

The average parity assumed for the 2012 budget was $1.30/€1 (versus an actual parity of $1.39/€1 in 2011 and of $1.30/€1 during the first half of 2012). At the date of publication of this report, the euro/dollar parity is $1.21/ €1.

The actual euro/dollar parity in the first half of the year was the same as that used in the assumptions made on February 9, 2012 ($1.30/€1). Consequently, the only mechanical full-year impacts compared to these assumptions are those that would result from an average second-half parity different from $1.30/€1. These impacts are spelled out below.

In light of the estimated share of revenue and costs generated in dollars or in dollar-correlated currencies, a $0.05 average appreciation of the dollar against the euro (taking the parity from $1.30/€1 to $1.25/€1) would mechanically increase second-half year revenues by €1.2 million and income from operations by €0.6 million. Conversely, a $0.05 depreciation in the dollar (taking the average parity to $1.35/€1) would reduce revenues and income from operations by the same amounts.

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STATUTORY AUDITORS' REVIEW REPORT ON THE 2012 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,

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 six months ended June 30, 2012;
- 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. Accordingly, we do not express an audit opinion.

We have not reviewed the consolidated statement of income for the second quarter of the year 2012 and the comparative 2011 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.

Without qualifying our conclusion, we draw your attention to Note 2 to the condensed half-year consolidated financial statements, which describes a change in accounting method in relation with the accounting of actuarial gains and losses for defined retirement benefit plans.

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. 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 26, 2012

The Statutory Auditors

French original signed by

PricewaterhouseCoopers Audit SA — KPMG SA

Bruno Tesnière — Anne Jallet-Auguste — Eric Junières