Lectra

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS FOR THE SECOND QUARTER AND FIRST HALF 2014

Dear Shareholders,

We report below on Lectra Group's business activity and consolidated financial statements for the second quarter and first half of 2014, ending June 30. Financial statements for the first half have been subject to a limited review by the Statutory Auditors; statements relating solely to the second quarter have not been reviewed.

Detailed comparisons between 2014 and 2013 are based on 2013 exchange rates ("like-for-like") unless stated otherwise.

1. SUMMARY OF OPERATIONS FOR Q2 2014

With an average exchange rate of $1.37/€1, the U.S. dollar was down almost 5% relative to Q2 2013 ($1.31/€1). Currency movements during the period mechanically decreased revenues by €1.4 million (–3%) and income from operations by €0.7 million (–15%) at actual exchange rates compared with like-for-like figures.

Sharp Rise in Orders for New Systems

Orders for new systems totaled €24.8 million, up €3.8 million (+18%) compared with Q2 2013. New software licenses (€5.8 million) increased by 13% and CAD/CAM equipment (€15 million) by 12%. Training and consulting (€3.5 million) rose by €1.3 million (+58%). Following the 66% increase in Q1 2014 relative to Q1 2013, this performance confirms customers' interest in Lectra's new strategy, which puts consulting at the heart of its value proposition.

Orders for new systems for the second quarter rose significantly relative to Q1 2014 orders (€19 million).

Increase in Revenues, Operating Margin and Net Income

Revenues totaled €52.5 million, up 6% (+3% at actual exchange rates). Revenues from new systems sales (€22.3 million) increased by €1.8 million (+9%). Recurring revenues (€30.2 million) rose by €1.2 million (+4%), thanks to a 3% increase in revenues from recurring contracts and 5% from spare parts and consumables.

Income from operations amounted to €3.8 million, up €0.4 million (+10%), despite increased investments for the future. The operating margin (7.3%) increased by 0.3 percentage points.

At actual exchange rates, income from operations decreased by €0.2 million (–6%) and the operating margin by 0.7 percentage points.

Net income amounted to €2.8 million, up €0.4 million (+16%) at actual exchange rates.

Free cash flow amounted to €3.8 million (€0.9 million in Q2 2013).

Opening of a South Korean Subsidiary

South Korea is, after China, one of the spearheads of Lectra's Asian expansion, particularly in automotive, fashion and apparel markets where South Korean companies are set to become major global players.

Lectra has been present in the country for more than 25 years, through its exclusive agent Impa Systems whose entire staff has joined this new subsidiary, established at the end of April and based in Seoul.

Implementing the Company's Transformation Plan

In its 2013 annual report, the company restated in full its strategic roadmap for 2013-2016, as well as its transformation plan and investments for the future, launched at the end of 2011, representing €50 million and presented its first progress report.

A second progress report will be presented on February 11, 2015.

These investments are fully expensed, although their benefits will only be felt progressively.

2. FIRST-HALF CONSOLIDATED FINANCIAL STATEMENTS

With an average parity of $1.37/€1 for H1 2014, the U.S. dollar was down by more than 4% compared with H1 2013. Other currencies, particularly those of emerging countries (the Turkish lira, Brazilian real, Indian rupee, Mexican peso, etc.), fell sharply against the euro. Overall, currency movements mechanically decreased revenues by €2.8 million (–3%) and income from operations by €1.3 million (–17%) at actual exchange rates compared with like-for-like figures.

The roadmap corresponding to the company's minimum objective communicated on February 11, 2014 anticipated revenues of €103 million for H1 2014 and income from operations of €6 million (based on exchange rates at February 1, 2014, notably $1.35/€1).

While revenues at actual exchange rates (€100.2 million) lag the roadmap slightly—owing to weak Q1 orders for new systems and less favorable exchange rates over the half-year—income from operations (€6.1 million) for the first half is in line with the roadmap thanks to a more favorable sales mix, improved margins and lower-than-expected overhead costs.

Orders for New Systems

Orders for new systems amounted to €43.9 million, up €4.6 million (+11%) relative to H1 2013. Orders were up 7% for new software licenses, 4% for CAD/CAM equipment and 62% for training and consulting.

Geographically, the situation is highly contrasted. Orders in Asia-Pacific increased by 60% and those in Europe by 26%. They dropped by 30% in the Americas and in the rest of the world (Northern Africa, South Africa, Turkey, the Middle East, etc.).

Orders in the fashion and apparel market were up 23% and were stable in the automotive market. They dropped by 33% in furniture, while rising 34% in other industries. These markets accounted for 54%, 35%, 4% and 7% of total orders respectively.

Revenues

Revenues totaled €100.2 million, up 4% like-for-like (+1% at actual exchange rates) compared with H1 2013.

Revenues increased 34% in Asia-Pacific and 3% in Europe but decreased by 11% in the Americas. These three regions accounted for 23%, 46% (including 8% for France) and 24% of total revenues respectively. Revenues from the rest of the world (7% of total revenues) fell by 10%.

In 2013, these regions accounted for 18%, 45% (including 9% for France), 29% and 8% of total revenues respectively.

Revenues from New Systems Sales

Revenues from new software licenses (€10.1 million) rose by €0.5 million (+5%) and accounted for 10% of total revenues, as in H1 2013.

CAD/CAM equipment revenues (€24.2 million) were down 4% and accounted for 24% of total revenues (26% in H1 2013).

Revenues from training and consulting increased by 39% to €5.4 million. They represented 5% of total revenues (4% in H1 2013).

Overall, revenues from new systems sales (€40.7 million) were up by €1.3 million (+3%). They represented 41% of total revenues, unchanged from H1 2013.

Revenues from Recurring Contracts and Spare Parts and Consumables

Recurring revenues (€59.4 million) increased by €2.4 million (+4%). They accounted for 59% of total revenues, unchanged from H1 2013.

Revenues from recurring contracts—which contributed to 58% of recurring revenues and 34% of total revenues—totaled €34.8 million, a 4% increase. They break down as follows:

- revenues from software evolution and on-line services contracts (€20.3 million), up 5% compared with H1 2013 and representing 20% of total revenues;
- revenues from CAD/CAM equipment maintenance and on-line services contracts (€14.4 million), which increased by 3% and contributed to 14% of total revenues.

Revenues from spare parts and consumables (€24.7 million), meanwhile, increased by 4%. They represented 25% of total revenues, as in H1 2013.

Order Backlog

At June 30, 2014, the order backlog of new systems (€16.3 million) was up €3.1 million relative to December 31, 2013 and up €2.6 million relative to March 31, 2014, at actual exchange rates.

This backlog comprised orders for new software licenses and CAD/CAM equipment totaling €11.6 million, of which €10.3 million for shipment in Q3 2014 and €1.3 million beyond; and €4.8 million for training and consulting, to be delivered as projects are carried out.

Gross Profit Margin

The gross profit margin amounted to €73.4 million. Its increase of €4.5 million relative to H1 2013 is €0.8 million higher than that of revenues.

The overall gross profit margin was 73.2%. Like-for-like, it increased by 1.7 percentage points, given the sales mix: the weight of software and of training and consulting in total revenues having increased, and that of CAD/CAM equipment having declined.

Personnel expenses and other operating expenses incurred in the execution of service contracts or in training and consulting are not included in the cost of goods sold but are recognized in selling, general, and administrative expenses.

Overhead Costs

Total overhead costs were €67.2 million, up €4.3 million (+7%) compared with H1 2013.

They include a reversal of provisions of €0.7 million related to the research tax credit applicable in France, following a decision by the French Council of State (*Conseil d'Etat*, the supreme court for administrative justice), validating the inclusion of profit-sharing expenses (*intéressement* and *participation,* applicable to the parent company Lectra SA exclusively) in the basis for computation of the research tax credit, and thus overturning the position adopted until then by the French tax administration (see note 9 of the notes to this report).

Excluding this reversal of provisions, overhead costs totaled €67.9 million, up €5 million (+8%). The breakdown is as follows:

– €61.1 million in fixed overhead costs, up €3.5 million (+6%). Investments for the future in connection with the company's transformation plan represented €6.2 million, or 10% of the total amount;

– €6.9 million in variable costs, up €1.5 million (+26%), due to a rise in variable compensation, higher sales commissions paid to agents, and an increase in subcontracted services.

R&D costs are fully expensed in the period and included in fixed overhead costs. R&D costs amounted to €10.9 million and represented 10.8% of revenues (€9.8 million and 9.8% in H1 2013). After deducting the research tax credit and the portion of the competitiveness and employment tax credit applicable in France over the first half, net R&D costs amounted to €7.2 million (€6.5 million in 2013) and €6.5 million including the reversal of provisions.

Income from Operations and Net Income

Income from operations reached €6.1 million. Compared with income from operations before non-recurring items for H1 2013, it increased €0.2 million (+3%) like-for-like, but was down €1.1 million (–15%) at actual exchange rates.

The decline was due for €1.3 million to the negative impact of currency fluctuations (this alone exceeded the total decline in income from operations), for €0.8 million to the natural increase in fixed overhead costs, and for €2.7 million to the increase of investments for the future related to the company's transformation plan. These negative impacts were partly offset by the positive impact resulting from the increase in revenues from new systems sales (€0.5 million) and in recurring revenues (€1.9 million), from the increase in gross profit margins (€0.7 million) and from the reversal of provisions relative to the research tax credit (€0.7 million).

The operating margin was 6.1%, stable like-for-like and down 1.1 percentage points at actual exchange rates compared with H1 2013 operating margin before non-recurring items (7.2%).

At actual exchange rates, expenditures corresponding to investments for the future accounted for 2.5 percentage points in the reduction of the operating margin before non-recurring items relative to H1 2013, and for 6.2 percentage points relative to H1 2011, before the plan's inception.

Financial income and expenses represented an income close to zero. Foreign exchange gains and losses generated a net loss of €0.3 million.

After an income tax expense of €1.3 million, net income reached €4.6 million (€4.6 million in H1 2013 excluding non-recurring items).

Net earnings per share on both basic and diluted capital were €0.15 (€0.16 in H1 2013 excluding non-recurring items).

In H1 2013, income from operations (€18.3 million) and net income (€14.6 million) incorporated the non-recurring income of €11.1 million and €10 million respectively, corresponding to receipt of the outstanding amount due in the litigation against Induyco.

Free Cash Flow

Free cash flow amounted to €6.6 million (€3 million in H1 2013 before non-recurring items of €11.1 million). This figure results from cash flow provided by operating activities of €9.2 million (including a €4 million decrease in the working capital requirement), and cash flow used in investing activities of €2.6 million (see note 8 of the notes to this report).

The research tax credit (€3.5 million) and the competitiveness and employment tax credit (€0.4 million) applicable in France, and the reversal of provisions for H1 2014, were accounted for but not received. If these amounts had been received, free cash flow would have been €11.2 million, exceeding net income by €6.6 million.

Shareholders' Equity

At June 30, 2014, consolidated shareholders' equity reached to €83.4 million (€83.8 million at December 31, 2013) after payment on May 7 of the €6.6 million dividend (€0.22 per share) declared in respect of fiscal 2013, as decided by the Shareholders' Meeting of April 30, 2014.

The figure for shareholders' equity is calculated after deduction of treasury shares held under the Liquidity Agreement and valued at their acquisition cost of €0.2 million (€0.1 million at December 31, 2013).

Cash and cash equivalents totaled €29.3 million (€29.5 million at December 31, 2013).

Financial borrowings have been reduced to €0.4 million (€0.9 million at December 31, 2013). They correspond to interest-free government advances to help finance R&D programs, which final repayment is due on March 31, 2015.

Consequently, the net cash position was €28.9 million (€28.6 million at December 31, 2013).

The working capital requirement amounted to €5.8 million. It includes the receivable of €26.3 million on the French tax administration *(Trésor public)* corresponding to the research tax credit, recognized since fiscal 2010, and the H1 2014 competitiveness and employment tax credit, neither of which has yet been received or offset against income tax. Restated for this receivable, the working capital requirement was negative at €20.5 million, a key feature of the Group's business model.

It should be noted that, when these tax credits cannot be charged against income tax, they are treated as a receivable on the French tax administration. If unused in the ensuing three years, they are repaid to the company in the course of the fourth year (see note 9 of the notes to this report). Thus, the unused balance of the receivable corresponding to the fiscal 2010 tax credit (€3.8 million) should be returned to the company in the coming months.

3. SHARE CAPITAL – OWNERSHIP – SHARE PRICE PERFORMANCE

Change in Share Capital

At June 30, 2014, the share capital totaled €30,059,262, divided into 30,059,262 shares with a par value of €1.00.

Share capital has increased by 394,847 shares since January 1, 2014, resulting from the exercise of stock options (an increase of €0.4 million in share capital together with a total share premium of €1.4 million).

On February 17, 2014, Schroders Investment Management Ltd (UK), on behalf of clients, reported that it had increased its shareholding above the threshold of 10% of the company's capital stock and voting rights, on February 12, and that at that date it held 10.14% of the capital stock and 10.01% of the voting rights. Schroders Investment Management Ltd also indicated that it holds an additional 2% of the company's capital on behalf of clients who have retained the exercise of their voting rights.

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

At the date of publication of this report, and to the company's knowledge, the main shareholders are:

- André Harari and Daniel Harari, who together hold 37% of the capital and 36.6% of the voting rights;
- Delta Lloyd Asset Management N.V. (Netherlands), and Schroders Investment Management Ltd (UK), which each hold more than 10% (but less than 15%) of the capital and of the voting rights, on behalf of investment funds under management.

Treasury Shares

At June 30, 2014, the company held 0.1% of its own shares in treasury shares, solely within the framework of the Liquidity Agreement, contracted with Exane BNP Paribas.

Share Price Performance and Trading Volumes

The company's share price at June 30, 2014, was €7.74, down 7% compared with December 31, 2013 (€8.29). It registered a high of €8.73 on June 19 and a low of €7.40 on March 17. The CAC 40 index and the CAC Mid & Small index rose 3% and 10% respectively over the period. Over the last 12 months, the share price has risen 49%, while the CAC 40 index and the CAC Mid & Small index have gained 18% and 31% respectively.

According to Euronext statistics, the number of shares traded (3.8 million) was down 13%, and trading volumes (€30.2 million) were up 33% compared with H1 2013.

In its press release of April 3, 2014, Lectra confirmed that it is eligible for inclusion in French SME equity savings plans "*PEA-PME*" qualifying for tax relief specifically applicable to investments in European small- and mid-cap companies.

4. SIGNIFICANT POST-CLOSING EVENTS

No significant event has occurred since June 30, 2014.

5. FINANCIAL CALENDAR

The Q3 financial results will be published on October 29, after close of trading on Euronext.

Notice of Extraordinary Shareholders' Meeting

At its meeting on July 30, 2014, the Board of Directors decided to invite shareholders to attend an Extraordinary Shareholders' Meeting on September 26, 2014 in order to approve certain modifications and simplifications to the company's articles of incorporation.

In particular, the Board of Directors is proposing to modify the age limit for Directors and for the Chairman of the Board of Directors, and to maintain the principle of one share equals one vote, derogating from the French March 29, 2014 Act (known as the "Loi Florange"), which overturned the previously existing principle and stipulates that the double voting right for shares registered for at least two years in the name of the same shareholder will henceforth apply automatically in the case of listed companies, unless otherwise decided in the articles of incorporation subsequent to the promulgation of the Act.

The shareholder information package will be published on the company's website on July 30 and the notice of meeting in the official bulletin (BALO) on August 1.

6. BUSINESS TRENDS AND OUTLOOK

The company entered 2014 with even more solid operating fundamentals than in 2013 and an even stronger balance sheet.

In its February 11, 2014 report and its 2013 annual report, to which readers are invited to refer, the company indicated that the year 2014 was expected to be both difficult and unpredictable, as in 2013, and discussed business trends and the outlook for the company at length.

It indicated that the company's objective is to reach, for fiscal year 2014, at the minimum, total revenues of approximately €214 million (+7% relative to 2013), income from operations before non-recurring items of around €18 million (+10%), an operating margin before non-recurring items of 8.3% (increasing slightly), and net income of around €12.5 million (stable at actual exchange rates, excluding 2013 non-recurring items). These figures were based on exchange rates at February 1, 2014, notably $1.35/€1.

In light of the first-half results, this objective remains relevant.

Positive results from the recent recruitment drive should start to be felt from the second half onward as recent recruits reach their full potential.

Bolstered by the strength of its business model and the relevance of its strategic roadmap, the company is confident in its medium-term growth prospects.

The Board of Directors

July 30, 2014

Company Certification of the First-Half 2014 Report

We certify that, to our knowledge, the first-half financial statements have been prepared in accordance with currently applicable accounting standards and provide a fair view of the assets, financial condition, and results of the company and of its consolidated companies. We further certify that the H1 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 30, 2014

Daniel Harari	Jérôme Viala
Chief Executive Officer	Chief Financial Officer

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

(in thousands of euros)	June 30, 2014	December 31, 2013	June 30, 2013
Goodwill	30,754	29,986	31,071
Other intangible assets	4,637	4,403	4,070
Property, plant and equipment	14,382	13,328	13,073
Non-current financial assets	1,831	2,121	1,853
Deferred tax assets	8,227	7,171	7,545
Total non-current assets	59,831	57,009	57,612
Inventories	21,514	20,748	22,287
Trade accounts receivable	41,182	50,269	37,172
Other current assets	35,315	28,999	27,100
Cash and cash equivalents	29,251	29,534	23,338
Total current assets	127,262	129,550	109,897
Total assets	187,093	186,559	167,509

EQUITY AND LIABILITIES

(in thousands of euros)	June 30, 2014	December 31, 2013	June 30, 2013
Share capital	30,059	29,664	29,113
Share premium	6,458	5,043	2,948
Treasury shares	(247)	(83)	(245)
Currency translation adjustments	(8,805)	(8,721)	(8,930)
Retained earnings and net income	55,886	57,926	50,978
Total equity	83,351	83,829	73,864
Retirement benefit obligations	7,759	7,419	6,913
Borrowings, non-current portion	-	394	392
Total non-current liabilities	7,759	7,813	7,305
Trade and other current payables	48,927	45,109	42,278
Deferred revenues	40,766	43,008	37,973
Current income tax liabilities	2,512	2,391	1,913
Borrowings, current portion	394	500	500
Provisions for other liabilities and charges	3,384	3,909	3,676
Total current liabilities	95,983	94,917	86,340
Total equity and liabilities	187,093	186,559	167,509

CONSOLIDATED INCOME STATEMENT

(in thousands of euros)	Three months ended June 30, 2014	Six months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2013
Revenues	52,507	100,158	50,888	99,233
Cost of goods sold	(14,045)	(26,801)	(14,273)	(27,821)
Gross profit	38,462	73,357	36,616	71,412
Research and development	(3,511)	(6,450)	(3,330)	(6,548)
Selling, general and administrative expenses	(31,133)	(60,788)	(29,219)	(57,695)
Income (loss) from operations before non-recurring items	3,818	6,119	4,067	7,169
Non-recurring income (1)	-	-	-	11,124
Income (loss) from operations (1)	3,818	6,119	4,067	18,293
Financial income	155	243	25	63
Financial expenses	(124)	(230)	(171)	(314)
Foreign exchange income (loss)	(29)	(260)	(527)	(478)
Income (loss) before tax (1)	3,820	5,872	3,393	17,564
Income tax (1)	(1,052)	(1,266)	(1,003)	(2,961)
Net income (loss) (1)	2,768	4,606	2,390	14,603

(in euros)				
Earnings per share:				
- basic	0.09	0.15	0.08	0.50
- diluted	0.09	0.15	0.08	0.50
Shares used in calculating earnings per share				
- basic	29,860,030	29,780,805	29,006,847	28,965,554
- diluted	30,690,867	30,647,405	29,497,176	29,479,233

STATEMENT OF COMPREHENSIVE INCOME

(in thousands of euros)	Three months ended June 30, 2014	Six months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2013
Net income (loss) (1)	2,768	4,606	2,390	14,603
Currency translation adjustments	(191)	(84)	121	(90)
Tax effect	-	-	-	-
Other comprehensive income (loss) to be reclassified in net income (loss)	(191)	(84)	121	(90)
Remeasurement of the net liability arising from defined benefits pension plans	(95)	(95)	(17)	(17)
Tax effect	28	28	-	-
Other comprehensive income (loss) not to be reclassified in net income (loss)	(67)	(67)	(17)	(17)
Total other comprehensive income	(258)	(151)	104	(107)
Comprehensive income (loss) (1)	2,510	4,455	2,494	14,496

(1) At June 30, 2013, income from operations and income before tax included a non-recurring income of €11.1 million, relating to the receipt of the remaining amount due in the litigation against Induyco. Net income and comprehensive income included an income of €10 million after tax effect. A record of the lawsuit is described in note 23.2 to the consolidated financial statements of the Group at December 31, 2013, available on lectra.com.

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of euros)	Six months ended June 30, 2014	Six months ended June 30, 2013
I - OPERATING ACTIVITIES		
Net income (loss)	4,606	14,603
Net depreciation, amortization and provisions	1,661	3,757
Non-cash operating expenses	(110)	222
Loss (profit) on sale of fixed assets	8	(29)
Changes in deferred income taxes, net value	(893)	1,119
Changes in inventories	(729)	(110)
Changes in trade accounts receivable	6,293	3,187
Changes in other current assets and liabilities	(1,606)	(6,597)
Net cash provided by (used in) operating activities [1]	9,230	16,152
II - INVESTING ACTIVITIES		
Purchases of intangible assets	(1,186)	(685)
Purchases of property, plant and equipment	(1,626)	(1,312)
Proceeds from sales of intangible assets and property, plant and equipment	5	64
Acquisition cost of activities purchased [2]	(1,560)	-
Purchases of financial assets [3]	(1,264)	(706)
Proceeds from sales of financial assets [3]	1,441	659
Net cash provided by (used in) investing activities	(4,190)	(1,980)
III - FINANCING ACTIVITIES		
Proceeds from issuance of ordinary shares	1,810	513
Dividends paid	(6,554)	(6,377)
Purchases of treasury shares	(1,317)	(480)
Sales of treasury shares	1,168	673
Repayments of long term and short term borrowings [4]	(500)	(5,834)
Net cash provided by (used in) financing activities	(5,393)	(11,505)
Increase (decrease) in cash and cash equivalents	(353)	2,667
Cash and cash equivalents at opening	29,534	20,966
Increase (decrease) in cash and cash equivalents	(353)	2,667
Effect of changes in foreign exchange rates	70	(295)
Cash and cash equivalents at closing	29,251	23,338
Free cash flow before non-recurring items	6,600	3,048
Non-recurring items of the free cash flow [1]	-	11,124
Free cash flow	6,600	14,172
Income tax paid (reimbursed), net	1,340	1,299
Interest paid	-	15

(1) At June 30, 2013, net cash provided by operating activities included €11.1 of non-recurring elements, corresponding to the receipt of the remaining amount due in the litigation against Induyco.

(2) At June 30, 2014, this amount corresponds to the acquisition cost of the activities of the Group's former agent in South Korea (see note 3 hereafter).

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

(4) The balance outstanding on the medium-term bank loan taken out by the company in 2007, i.e. €5.4 million at December 31, 2012, was repaid ahead of schedule on March 31, 2013, at the company's initiative.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in thousands of euros, except for par value per share expressed in euros)	Share capital: Number of shares	Share capital: Par value per share	Share capital: Share capital	Share premium	Treasury shares	Currency translation adjustments	Retained earnings and net income	Equity
Balance at January 1, 2013	28,948,315	1.00	28,948	2,600	(380)	(8,840)	42,676	65,004
Net income (loss)							14,603	14,603
Other comprehensive income (loss)						(90)	(17)	(107)
Comprehensive income (loss)						(90)	14,586	14,496
Exercised stock options	164,965	1.00	165	348				513
Fair value of stock options							56	56
Sale (purchase) of treasury shares					135			135
Profit (loss) on treasury shares							37	37
Dividends paid							(6,377)	(6,377)
Balance at June 30, 2013	29,113,280	1.00	29,113	2,948	(245)	(8,930)	50,978	73,864
Balance at January 1, 2013	28,948,315	1.00	28,948	2,600	(380)	(8,840)	42,676	65,004
Net income (loss)							21,775	21,775
Other comprehensive income (loss)						119	(382)	(263)
Comprehensive income (loss)						119	21,393	21,512
Exercised stock options	716,100	1.00	716	2,443				3,159
Fair value of stock options							140	140
Sale (purchase) of treasury shares					297			297
Profit (loss) on treasury shares							94	94
Dividends paid							(6,377)	(6,377)
Balance at December 31, 2013	29,664,415	1.00	29,664	5,043	(83)	(8,721)	57,926	83,829
Net income (loss)							4,606	4,606
Other comprehensive income (loss)						(84)	(67)	(151)
Comprehensive income (loss)						(84)	4,539	4,455
Exercised stock options	394,847	1.00	395	1,415				1,810
Fair value of stock options							39	39
Sale (purchase) of treasury shares					(164)			(164)
Profit (loss) on treasury shares							9	9
Other variations							(73)	(73)
Dividends paid							(6,554)	(6,554)
Balance at June 30, 2014	30,059,262	1.00	30,059	6,458	(247)	(8,805)	55,886	83,351

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT JUNE 30, 2014

1. BUSINESS ACTIVITY

Lectra was established in 1973 and has been listed since 1987 on Euronext (compartment B). Lectra is the world leader in software, CAD/CAM equipment and associated services dedicated to large-scale users of fabrics, leather, technical textiles and composite materials. Lectra addresses a broad array of major global markets, mainly fashion and apparel, automotive (car seats and interiors, airbags), furniture as well as a wide variety of other industries, such as the aeronautical and marine industries, and wind power.

The company's technology offer 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 and apparel industry, Lectra's software applications also facilitate 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: cutting costs and boosting productivity; reducing time-to-market; dealing with globalization; developing secure electronic communications; 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 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 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 1,450 employees worldwide, encompassing expert R&D, technical and sales teams with deep knowledge of their customers' businesses.

The Group has been present worldwide since the mid-1980s. Based in France, the company serves its customers in more than 100 countries through its extensive network of 32 sales and services subsidiaries, which are backed by agents and distributors in some regions. Thanks to this unrivaled network, Lectra generated 90% of its revenues directly in 2013. Its five International Call Centers, in 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 at its International Advanced Technology & Conference Center in Bordeaux–Cestas (France) for Europe and international visitors, and its two International Advanced Technology Centers in 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 780 employees dedicated to marketing, sales and services in the world. It employs 260 engineers dedicated to R&D, and nearly 160 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, the company's growth driver, comprising sales of new software licenses, CAD/CAM equipment, training and consulting, and on-call maintenance and support interventions;
- recurring revenues, a key factor in the company's stability, acting as a cushion in periods of slow overall economic growth, consisting partly of recurring contracts (software evolution and on-line services contracts, and CAD/CAM equipment maintenance and on-line services contracts), and partly of sales of spare parts and consumables, corresponding to statistically recurring revenues generated by the installed base.

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 and the competitiveness and employment 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, 2014, have been prepared in accordance with IAS 34 - Interim Financial Statements. They do not comprise all of the financial disclosures required in the complete financial statements and should be read in conjunction with the Group's consolidated financial statements and attached notes for the fiscal year 2013, available on lectra.com.

The consolidated financial statements have been prepared in accordance with the same rules and methods as those applied in the preparation of the 2013 annual financial statements. They have been prepared under the responsibility of the Board of Directors at its meeting of July 30, 2014. They have been the subject of a limited review by the Statutory Auditors; the Q2 financial statements have not been reviewed separately.

The standards and interpretations adopted by the European Union as of January 1, 2014 have no impact on the Group's financial statements. The Group has not adopted in advance any standards, amendments or interpretations whose application is not required for fiscal years starting from January 1, 2014.

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

Comparisons identified as "like-for-like" correspond to 2014 figures restated at 2013 exchange rates, in comparison with actual data for 2013.

Critical Accounting Estimates and Judgments

Preparation of the financial statements in accordance with IFRS demands that certain critical accounting estimates be made. Management is also required to exercise its judgment in applying the Group's accounting policies. Although such estimates are made in a particularly uncertain environment, their relevance is supported by the Group's business model features.

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

Revenues

Revenues from sales of hardware 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 billed in advance, and their booking is spread over the duration of the contracts.

Revenues from the billing of services not covered by recurring contracts are recognized at the time of performance of the service or, where appropriate, on a percentage of completion basis.

Cost of Goods Sold

Cost of goods sold comprises all purchases of raw materials included in the costs of manufacturing, the change in inventory and inventory write-downs, all labor costs included in manufacturing costs which constitute the added value, freight-out costs on equipments sold, and a share of depreciation of the manufacturing facilities.

Cost of goods sold does not include salaries and expenses associated with service revenues, which are included under "Selling, General and Administrative Expenses".

Research and Development Costs

The technical feasibility of software and hardware developed by the Group is generally not established until a prototype has been produced or until feedback is received from its pilot sites, setting the stage for their commercialization. Consequently, the technical and economic criteria requiring the recognition of development costs in assets at the moment they occur are not met, and these, together with research costs, are therefore fully expensed in the year in which they are incurred.

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

Earnings per Share

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

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

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

Only options with an exercise price below the said average share price are included in the calculation of the number of shares representing the diluted capital.

Free Cash Flow

Free cash flow is equal to net cash provided by operating activities minus cash used in investing activities—excluding cash used for acquisitions of companies (net of cash acquired).

Operating Segments

Operating segment reporting is based directly on the Group's performance tracking and review systems. The operating segments presented in note 6 are identical to those covered by the information regularly communicated to the Executive Committee, in its capacity as the Group's "chief operating decision maker".

Operating segments refer to the major marketing regions that combine countries with similar economic characteristics in terms of type of product and service, customer type and distribution method. The regions concerned are: the Americas, Europe, Asia-Pacific, and the Rest of the World, where the company operates chiefly in Northern Africa, South Africa, Turkey, Israel, and the Middle East. These regions are involved in sales and the provision of services to their customers. They do not perform any industrial activities or R&D. They draw on centralized competencies and a wide array of functions that are pooled among all of the regions, including marketing, communication, logistics, procurement, finance, legal affairs, human resources, and information systems. All of these cross-divisional activities are reported as an additional operating segment referred to here as the "Corporate" segment.

Performance is measured by the segment's income from operations before non-recurring items and impairment of assets, if any. Marketing regions derive their revenues from external customers; all inter-segment billings are excluded from this item. The gross profit margin rates used to determine operating performance are identical for all regions. They are computed for each product line and include added value supplied by the Corporate segment. Consequently, for products or services supplied in full or in part by the Corporate segment, a percentage of consolidated gross profit is retained in the income computed for the Corporate segment in order to cover its costs. Since most of the Corporate segment's general overheads are fixed, its profit margin and consequently its income from operations depend mainly on the volume of business generated by marketing regions.

3. SCOPE OF CONSOLIDATION

At June 30, 2014, the Group's scope of consolidation comprised Lectra SA together with 28 fully-consolidated companies.

In April 2014, the company established a new subsidiary in South Korea, Lectra Korea, with a view to accelerating its development plan in Asia.

On May 1, 2014, this subsidiary assumed the assets of the agent that previously represented Lectra in this country for many years. The cost of the purchase by Lectra of this activity is shown in the statement of cash flows under "Acquisition cost of activities purchased". The impact of this subsidiary's creation and of the purchase of the said assets is immaterial, the bulk of sales in this country having previously been billed by Lectra SA.

Lectra Korea has been fully consolidated since May 1, 2014.

There was no other change in the scope of consolidation during the first-half of 2014.

Four sales and service subsidiaries are not consolidated, their revenues being immaterial both separately and combined. At June 30, 2014, their combined revenues totaled €0.4 million, and their combined assets in their statement of financial position totaled €1.8 million. They had no financial debt outside of the Group. 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 when they act as agents. The amount concerned by these transactions was not material at June 30, 2014.

4. ORDERS FOR NEW SYSTEMS

To make the discussion of revenues and earnings as relevant as possible and to better reflect the company's value proposition, changes have been introduced in the Management discussion in reporting orders and backlog for new systems from January 1, 2014. Their total amount is now communicated, while previously only the orders for new software licenses and CAD/CAM equipment were stated. 2013 amounts have been restated accordingly for comparison with 2014 data.

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

5.1. Q2 2014

	Three Months Ended June 30				
	2014		2013	Changes 2014/2013	
(in thousands of euros)	Actual	At 2013 exchange rates	Actual	Actual	Like-for-like
Revenues	52,507	53,938	50,888	+3%	+6%
Cost of goods sold	(14,045)	(14,182)	(14,273)	-2%	-1%
Gross profit	38,462	39,756	36,616	+5%	+9%
(in % of revenues)	73.3%	73.7%	72.0%	+1.3 points	+1.7 points
Research and development	(3,511)	(3,511)	(3,330)	+5%	+5%
Selling, general and administrative expenses	(31,133)	(31,763)	(29,219)	+7%	+9%
Income (loss) from operations	3,818	4,482	4,067	-6%	+10%
(in % of revenues)	7.3%	8.3%	8.0%	-0.7 points	+0.3 points
Profit (loss) before tax	3,820	4,484	3,393	+13%	+32%
Income tax	(1,052)	na	(1,003)	+5%	na
Net income (loss)	2,768	na	2,390	+16%	na

5.2. First-Half 2014

	Six Months Ended June 30				
	2014		2013	Changes 2014/2013	
(in thousands of euros)	Actual	At 2013 exchange rates	Actual	Actual	Like-for-like
Revenues	100,158	102,963	99,233	+1%	+4%
Cost of goods sold	(26,801)	(27,063)	(27,821)	-4%	-3%
Gross profit	73,357	75,900	71,412	+3%	+6%
(in % of revenues)	73.2%	73.7%	72.0%	+1.2 points	+1.7 points
Research and development	(6,450)	(6,450)	(6,548)	-1%	-1%
Selling, general and administrative expenses	(60,788)	(62,047)	(57,695)	+5%	+8%
Income from operations before non-recurring items	6,119	7,402	7,169	-15%	+3%
(in % of revenues)	6.1%	7.2%	7.2%	-1.1 points	0.0 point
Non-recurring income	-	-	11,124	ns	ns
Income (loss) from operations	6,119	7,402	18,293	-67%	-60%
(in % of revenues)	6.1%	7.2%	18.4%	ns	ns
Profit (loss) before tax	5,872	7,155	17,564	-67%	-59%
Income tax	(1,266)	na	(2,961)	-57%	na
Net income (loss)	4,606	na	14,603	-68%	na

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

6.1. Q2 2014

Revenues by geographic region

(in thousands of euros)	2014 Actual	2014 %	2014 At 2013 exchange rates	2013 Actual	2013 %	Changes 2014/2013 Actual	Changes 2014/2013 Like-for-like
Europe, of which :	23,398	44%	23,393	22,936	45%	+2%	+2%
- France	4,169	8%	4,170	4,312	8%	-3%	-3%
Americas	12,404	24%	13,113	14,553	29%	-15%	-10%
Asia-Pacific	13,051	25%	13,637	9,348	18%	+40%	+46%
Other countries	3,654	7%	3,795	4,051	8%	-10%	-6%
Total	52,507	100%	53,938	50,888	100%	+3%	+6%

Three Months Ended June 30

Revenues by product line

(in thousands of euros)	2014 Actual	2014 %	2014 At 2013 exchange rates	2013 Actual	2013 %	Changes 2014/2013 Actual	Changes 2014/2013 Like-for-like
Software, of which :	15,593	30%	15,959	15,149	30%	+3%	+5%
- New licenses	5,365	10%	5,518	5,115	10%	+5%	+8%
- Software maintenance and on-line services contracts (1)	10,228	20%	10,441	10,034	20%	+2%	+4%
CAD/CAM equipment	13,296	25%	13,672	13,588	27%	-2%	+1%
Hardware maintenance and on-line services contracts (1)	7,288	14%	7,472	7,294	14%	0%	+2%
Spare parts and consumables	12,667	24%	13,045	12,395	24%	+2%	+5%
Training and consulting services	3,135	6%	3,252	2,031	4%	+54%	+60%
Miscellaneous	528	1%	538	431	1%	+22%	+25%
Total	52,507	100%	53,938	50,888	100%	+3%	+6%

Three Months Ended June 30

(1) To make information as relevant as possible, as of January 1, 2014, on-line services have been separated for software, on one hand, and CAD/CAM equipment, on the other. They were previously grouped under the heading "hardware maintenance and on-line services contracts". 2013 amounts have been restated accordingly for comparison with 2014 data.

Breakdown of revenues between new systems sales and recurring revenues

(in thousands of euros)	2014 Actual	2014 %	2014 At 2013 exchange rates	2013 Actual	2013 %	Changes 2014/2013 Actual	Changes 2014/2013 Like-for-like
Revenues from new systems sales (1)	22,324	43%	22,980	21,166	42%	+5%	+9%
Recurring revenues (2), of which :	30,183	57%	30,958	29,723	58%	+2%	+4%
- Recurring contracts	17,516	33%	17,913	17,328	34%	+1%	+3%
- Spare parts and consumables	12,667	24%	13,045	12,395	24%	+2%	+5%
Total	52,507	100%	53,938	50,888	100%	+3%	+6%

Three Months Ended June 30

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

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

6.2. First-Half 2014

Revenues by geographic region

(in thousands of euros)	Six Months Ended June 30						
	2014			2013		Changes 2014/2013	
	Actual	%	At 2013 exchange rates	Actual	%	Actual	Like-for-like
Europe, of which :	46,193	46%	46,179	44,767	45%	+3%	+3%
- France	7,870	8%	7,868	8,542	9%	-8%	-8%
Americas	24,349	24%	25,777	28,806	29%	-15%	-11%
Asia-Pacific	23,029	23%	24,180	18,035	18%	+28%	+34%
Other countries	6,587	7%	6,827	7,624	8%	-14%	-10%
Total	100,158	100%	102,963	99,233	100%	+1%	+4%

Revenues by product line

(in thousands of euros)	Six Months Ended June 30						
	2014			2013		Changes 2014/2013	
	Actual	%	At 2013 exchange rates	Actual	%	Actual	Like-for-like
Software, of which :	30,469	30%	31,212	29,756	30%	+2%	+5%
- New licenses	10,143	10%	10,446	9,939	10%	+2%	+5%
- Software maintenance and on-line services contracts(1)	20,326	20%	20,766	19,817	20%	+3%	+5%
CAD/CAM equipment	24,213	24%	24,956	25,913	26%	-7%	-4%
Hardware maintenance and on-line services contracts(1)	14,427	14%	14,812	14,396	15%	0%	+3%
Spare parts and consumables	24,667	26%	25,406	24,327	25%	+1%	+4%
Training and consulting services	5,402	5%	5,578	4,019	4%	+34%	+39%
Miscellaneous	980	1%	999	823	1%	+19%	+21%
Total	100,158	100%	102,963	99,233	100%	+1%	+4%

(1) To make information as relevant as possible, as of January 1, 2014, on-line services have been separated for software, on one hand, and CAD/CAM equipment, on the other. They were previously grouped under the heading "hardware maintenance and on-line services contracts". 2013 amounts have been restated accordingly for comparison with 2014 data.

Breakdown of revenues between new systems sales and recurring revenues

(in thousands of euros)	Six Months Ended June 30						
	2014			2013		Changes 2014/2013	
	Actual	%	At 2013 exchange rates	Actual	%	Actual	Like-for-like
Revenues from new systems sales(1)	40,738	41%	41,979	40,693	41%	0%	+3%
Recurring revenues(2), of which :	59,420	59%	60,984	58,540	59%	+2%	+4%
- Recurring contracts	34,753	34%	35,578	34,213	34%	+2%	+4%
- Spare parts and consumables	24,667	25%	25,406	24,327	25%	+1%	+4%
Total	100,158	100%	102,963	99,233	100%	+1%	+4%

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

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

Breakdown of revenues from new systems sales by market sector

(in thousands of euros)	Six Months Ended June 30						
	2014			2013		Changes 2014/2013	
	Actual	%	At 2013 exchange rates	Actual	%	Actual	Like-for-like
Fashion and apparel	20,114	49%	20,641	18,737	46%	+7%	+10%
Automotive	14,600	36%	15,136	16,046	39%	-9%	-6%
Furniture	3,246	8%	3,283	3,141	8%	+3%	+5%
Other industries	2,778	7%	2,919	2,769	7%	0%	+5%
Total	40,738	100%	41,979	40,693	100%	0%	+3%

7. OPERATING SEGMENTS INFORMATION

Six months ended June 30, 2014 (in thousands of euros)	Europe	Americas	Asia-Pacific	Other countries	Corporate	Total
Revenues	46,193	24,349	23,030	6,586	-	100,158
Income (loss) from operations before non-recurring items	2,615	258	878	1,090	1,278	6,119

Six months ended June 30, 2013 (in thousands of euros)	Europe	Americas	Asia-Pacific	Other countries	Corporate	Total
Revenues	44,768	28,806	18,035	7,624	-	99,233
Income (loss) from operations before non-recurring items	4,128	1,277	(347)	1,000	1,111	7,169

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

8. CONSOLIDATED CASH FLOW SUMMARY

Six months ended June 30, 2014 (in thousands of euros)	Cash and cash equivalents	Financial debts	Net cash (+) Net debt (–)
Free cash flow	6,600	-	6,600
Proceeds from issuance of ordinary shares (1)	1,810	-	1,810
Sale and purchase of treasury shares (2)	(149)	-	(149)
Acquisition cost of activities purchased	(1,560)	-	(1,560)
Dividends paid	(6,554)	-	(6,554)
Change in borrowings	(500)	500	-
Impact of currency variations – other	70	-	70
Change in cash position for the period	(283)	500	217
Cash position at December 31, 2013	29,534	(894)	28,640
Cash position at June 30, 2014	29,251	(394)	28,857
Change in cash position for the period	(283)	500	217

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

(2) Carried out solely under the Liquidity Agreement administered by Exane BNP Paribas (see note 10).

Free cash flow at June 30, 2014, amounted to €6.6 million (there were no non-recurring items). This figure results from a combination of €9.2 million in cash flows provided by operating activities (including a decrease in working capital requirement of €4 million) and of €2.6 million in investing activities.

The main variations in working capital requirement were:

- −€6.3 million corresponding to the decrease in trade accounts receivable, after the cash receipt of a significant portion of the recurring contracts at the beginning of the year, usually yearly in advance (the variation in trade accounts receivable includes “deferred revenues” in the statement of financial position, which for the most part comprises the share of recurring contracts billed but not yet recognized in revenues);
- +€0.7 million corresponding to the increase in inventories;
- +€4 million arising from the receivable on the French tax administration (*Trésor public*) corresponding to the research tax credit and competitiveness and employment tax credit receivable for the first half of 2014, accounted for but not received;

- −€1.9 million corresponding to the increase of customers down payments in the statement of financial position, due to new systems orders in Q2 2014 being higher than those in Q4 2013;
- −€0.5 million arising from the change in other current assets and liabilities; taken individually, these changes are all immaterial.

The working capital requirement on June 30, 2014, amounted to €5.8 million. It comprised a receivable of €26.3 million on the French tax administration in respect of the research tax credit and the competitiveness and employment tax credit, which have not been received and have not been deducted from the current income tax expense (see note 9 hereafter). Restated for this receivable, the working capital requirement was negative at €20.5 million, which is a key feature of the Group's business model.

9. RESEARCH TAX CREDIT – COMPETITIVENESS AND EMPLOYMENT TAX CREDIT

At June 30, 2014, the parent company Lectra SA held a €26.3 million receivable on the French tax administration. This comprised:

- The research tax credit recognized in 2014 (€3.6 million), in 2013 (€6.7 million), in 2012 (€5.7 million) and in 2011 (€6.2 million), and the balance outstanding (€3.8 million) of the research tax credit accounted for in 2010 after deduction from corporate income tax due by Lectra SA in respect of 2014 and previous fiscal years;
- The competitiveness and employment tax credit accounted for in 2014 (€0.4 million).

The company incorporated profit-sharing expenses in the annual calculation base for the research tax credit it accounted for. Due to the French tax administration's position in questioning the eligibility of such expenses, the company booked, for the relevant years (2010 to 2013), a provision equal to the part of the annual research tax credit calculated on these bases. The French Council of State (*Conseil d'Etat*, the supreme court for administrative justice), in its decision of March 12, 2014, confirmed that the said expenses were eligible for the fiscal years in question. Thus, in its H1 2014 financial statements, the company reversed the previously booked €0.7 million provision. This amount has no impact on the receivable booked, since it did not include this provision.

It should be noted that, when the research tax credit and the competitiveness and employment tax credit recognized in the year cannot be deducted from the current income tax, they are treated as a receivable on the French tax administration. If unused in the ensuing three years, they are repaid to the company in the course of the fourth year.

In light of company estimates of these tax credits and income tax for the next three years, the company does not expect to make any payment in respect of income tax, which will be deducted in full from the corresponding receivable. It also expects to receive reimbursement of the balance outstanding of these tax credits not deducted as follows: in 2014 (in respect of the 2010 tax credit; claim has been made to the French tax administration), 2015 (in respect of the 2011 tax credit), 2016 (in respect of the 2012 tax credit), 2017 (in respect of the 2013 tax credit) and 2018 (in respect of the 2014 tax credits). This situation will last for as long as the amount of the annual tax credits exceeds the amount of income tax payable.

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

10. TREASURY SHARES

Since January 1, 2014, the company has purchased 166,565 shares and sold 145,963 shares at an average price of €7.91 and €8.00 respectively under the Liquidity Agreement administered by Exane BNP Paribas.

At June 30, 2014, the company held 31,010 Lectra shares (i.e. 0.10% of the share capital) with an average purchase price of €7.97 entirely under the Liquidity Agreement.

11. LIQUIDITY AND BANK BORROWINGS

11.1. Cash and Cash Equivalents and Net Cash

(in thousands of euros)	June 30, 2014	December 31, 2013
Cash and cash equivalents	29,251	29,534
Borrowings and financial debts	(394)	(894)
Net cash	28,857	28,640

The Group's net cash increased by €0.2 million during the first half of 2014.

11.2. Borrowings and Financial Debts by Category and by Maturity

At June 30, 2014, the Group's borrowings and financial debts correspond solely to public grants to finance R&D programs repayable on March 31, 2015 (€0.4 million), after a repayment of €0.5 million was made on March 31, 2014.

12. FOREIGN EXCHANGE RISK

The Group's currency risk management policy is unchanged relative to December 31, 2013.

During the first half of 2014, the average parity between the U.S. dollar and the euro was $1.37/€1.

Exchange Risk Hedging Instruments

Exchange risk hedging instruments at June 30, 2014 comprised forward sales or purchases of foreign currencies (mainly U.S. dollar, British pound, Russian ruble, Canadian dollar and Moroccan dirham) for a net total equivalent value (sales minus purchases) of €3.2 million, intended to hedge existing positions.

The company has covered almost all its balance sheet positions; however, at the date of publication of this report, it has not hedged its future flows exposure.

13. 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 Exchange Rates

The company has based its 2014 scenarios on parities fixed on February 1 for the currencies in which the Group generates its revenues, notably $1.35/€1. The parity at the date of this report is $1.34/€1.

In view of the estimated share of revenues and costs denominated in dollars or in currencies correlated with the dollar, a 5-cent rise in the euro against the U.S. dollar over the entire year (i.e. $1.40/€1) mechanically entails a fall in FY 2014 revenues of around €3 million and of €1.6 million in income from operations. Conversely, a 5-cent fall in the euro (i.e. $1.30/€1) increases revenues and income from operations by the same amounts.

In addition to fluctuating against the U.S. dollar and against currencies strongly correlated with it, the euro also fluctuates against other currencies. However, these variations are frequently heterogeneous both in direction (upward and downward) and in scale.

Consequently, on an annual basis, the theoretical hypothesis of a 1% appreciation of the euro over the entire year against all of the other currencies in which the company conducts its business mechanically reduces revenues by an additional €0.2 million and income from operations by an additional €0.1 million. Conversely, a 1% fall in the euro boosts revenues and income from operations by the same amounts.

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STATUTORY AUDITORS' REVIEW REPORT ON THE 2014 CONDENSED HALF-YEARLY CONSOLIDATED FINANCIAL STATEMENTS

(From the period from January 1 to June 30, 2014)

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

To the Shareholders,

In compliance with the assignment entrusted by 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-yearly consolidated financial statements of Lectra SA, for the period from January 1 to June 30, 2014 ;
- the verification of the information presented in the half-yearly management report.

These condensed half-yearly 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 2014 and the comparative 2013 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-yearly consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 - standard of the IFRSs as adopted by the European Union applicable to interim financial information.

2. Specific verification

We have also verified the information presented in the half-yearly management report on the condensed half-yearly 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-yearly consolidated financial statements.

Neuilly-sur-Seine and Mérignac, July 30, 2014

The Statutory Auditors

French original signed by

PricewaterhouseCoopers Audit SA

Bruno Tesnière

KPMG SA

Jean-Pierre Raud

Eric Junières