



## **MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS FOR THE SECOND QUARTER AND FIRST HALF 2016**

Dear Shareholders,

We report below on Lectra Group's business activity and consolidated financial statements for the second quarter and first half of 2016, 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 2016 and 2015 are based on 2015 exchange rates ("like-for-like") unless stated otherwise.

### **1. SUMMARY OF OPERATIONS FOR Q2 2016**

With an average parity of \$1.13/€1 in Q2, the US dollar was down 2% compared to Q2 2015 (\$1.10/€1). For its part, the yuan declined 7%. Changes in currencies mechanically decreased revenues by €1.2 million (-2%) and income from operations by €0.5 million (-6%) at actual exchange rates compared with like-for-like figures.

#### **Strong Growth in Orders for New Systems for the Third Consecutive Quarter**

Orders for new systems totaled €30.5 million, up 17% like-for-like as at actual exchange rates compared with Q2 2015 (€26.2 million).

Orders for new software licenses (€6.9 million) increased by 16%, those for CAD/CAM equipment (€19.4 million) by 18% and orders for training and consulting (€3.7 million) were up 25%.

Orders for new systems also rose relative to Q1 2016 (€26.1 million). They had increased by 20% and 23% respectively, at actual exchange rates, in Q4 2015 and Q1 2016, relative to the corresponding periods in the previous year.

#### **Increase in Income from Operations and Net Income**

Revenues totaled €64.1 million, up 8% compared with Q2 2015 (+6% at actual exchange rates).

Revenues from new systems sales increased by 8%, as did recurring revenues with an increase of 4% for recurring contracts and 15% for consumables and parts.

Income from operations amounted to €8.1 million, up 14% (+7% at actual exchange rates). The operating margin was 12.6%, increasing by 0.7 percentage points (+0.1 percentage points at actual exchange rates).

Net income amounted to €5.5 million, up €0.2 million (+5%) at actual exchange rates.

Finally, free cash flow amounted to €3.3 million (€5.2 million in Q2 2015).

## Lectra Opens a Subsidiary in Vietnam

Lectra further pursued its development plan in Asia, with the opening of its subsidiary, Lectra Vietnam, on July 1 of this year. The new subsidiary will support Vietnam's businesses in their deployment of Lectra's industry-leading technologies, widely appreciated in Asia and across the world, and will also assist foreign firms to grow their businesses in Vietnam. The signing of the Transpacific Partnership (TPP) in February 2016 has further enhanced the attractiveness of Vietnam's fast-growing economy.

Lectra has been present in Vietnam for over 20 years, serving an extensive customer base, including major Asian companies. It was until now represented by its agent Ly Sinh Cong Trading Service Company (LSC). The entire sales and service personnel have now joined the new subsidiary, based in Ho Chi Minh City.

## 2. SUMMARY OF OPERATIONS FOR FIRST HALF 2016 AND CONSOLIDATED FINANCIAL STATEMENTS

With an average parity of \$1.12/€1 for H1 2016, the US dollar remained stable compared with H1 2015. For its part, the yuan declined 5%.

Despite the stability of the euro/dollar exchange rate, currency movements mechanically decreased revenues by €1.8 million (-1%) and income from operations by €0.9 million (-6%) at actual exchange rates compared with like-for-like figures.

### Revenues and Income from Operations in Line with the Company Roadmap

Revenues totaled €126.3 million, up 10%, and income from operations €15.4 million, up 24%.

This performance is in line with the June 30 target figure corresponding to the middle of the range of objectives announced on February 11.

### Orders for New Systems

Orders for new systems amounted to €56.7 million, up €9.4 million (+20%) relative to H1 2015: +8% for new software licenses, +27% for CAD/CAM equipment and +10% for training and consulting.

Geographically, the situation is highly contrasted: orders in Asia-Pacific increased by 60% and by 22% in Europe. They decreased by 22% in the Americas. Orders in the Americas had increased by 25% in H1 2015, while those in Asia-Pacific fell by 26%. In the rest of the world (Northern Africa, South Africa, Turkey, the Middle East, etc.) they increased by 9%.

Orders in the fashion and apparel market were up 7% and up 55% in the automotive market. They decreased by 6% in the furniture market. In the other industries, they increased by 22%. These markets respectively accounted for 45%, 40%, 11% and 4% of total orders.

### Revenues

Revenues totaled €126.3 million, up 10% (+9% at actual exchange rates).

Revenues increased in all regions: +8% in Europe, +14% in the Americas, +9% in Asia-Pacific, and +11% in the rest of the world. These regions respectively accounted for 43% (including 7% for France), 27%, 24%, and 6% of total revenues. In 2015, they respectively accounted for 43% (including 7% for France), 26%, 25%, and 6% of total revenues.

### *Revenues from New Systems Sales*

Overall, revenues from new systems sales (€54.6 million) increased by 13%. They represented 43% of total revenues (42% in H1 2015):

- Revenues from new software licenses (€11.7 million) decreased by 1% and accounted for 9% of total revenues (10% in H1 2015);
- CAD/CAM equipment revenues (€36.4 million) increased by 25% and accounted for 29% of total revenues (26% in H1 2015);
- Training and consulting revenues (€5.5 million) decreased by 9% and accounted for 4% of total revenues (5% in H1 2015).

### *Revenues from Recurring Contracts and Consumables and Parts*

Recurring revenues (€71.7 million) increased by 8%. They accounted for 57% of total revenues (58% in H1 2015).

Revenues from recurring contracts—which contributed 56% of recurring revenues and 32% of total revenues—totaled €40.4 million, a 4% increase:

- Revenues from software evolution and online services contracts (€23.4 million), up 4% compared with 2015, represented 18% of total revenues;
- Revenues from CAD/CAM equipment maintenance and online services contracts (€17 million), up 4%, contributed 13% of total revenues.

Revenues from consumables and parts (€31.4 million), meanwhile, increased by 13% and represented 25% of total revenues (24% in 2015).

### *Order Backlog*

At June 30, 2016, the order backlog for new systems (€24.9 million) was up €1.9 million at actual exchange rates relative to December 31, 2015; it was up €5.9 million relative to June 30, 2015.

This backlog comprised orders for new software licenses and CAD/CAM equipment totaling €18.2 million, including €16.6 million for shipment in Q3 2016, €0.6 million in Q4 and the remainder in 2017, and €6.7 million for training and consulting, to be delivered as projects progress.

### *Gross Profit*

Gross profit amounted to €93 million.

The overall gross profit margin was 73.6%. Like-for-like, it decreased by 1.9 percentage points relative to H1 2015, given changes in the sales mix.

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

### *Overhead Costs*

Total overhead costs were €77.6 million, up €3.3 million (+4%) compared with H1 2015.

The breakdown is as follows:

- €70.1 million in fixed overhead costs (+4%);
- €7.5 million in variable costs (+5%).

The increase in total overhead costs was 3% at actual exchange rates.

R&D costs (€11.7 million) are fully expensed in the period and included in overhead costs and represented 9.3% of revenues (€11.4 million and 9.8% in H1 2015). After deducting the research tax credit and the corresponding portion of the competitiveness and employment tax credit applicable in France, net R&D costs amounted to €8.2 million (€7.1 million in 2015).

### Income from Operations and Net Income

Income from operations reached €15.4 million, an increase of €3.2 million (+24%) like-for-like and €2.3 million (+17%) at actual exchange rates compared with H1 2015.

The operating margin was 12.2%, up 1.5 percentage points like-for-like and 0.9 percentage points at actual exchange rates.

Financial income and expenses represented a net charge of €0.2 million. Foreign exchange gains and losses generated a net loss of €0.1 million.

After an income tax expense of €4.4 million, net income amounted to €10.7 million, up 18% at actual exchange rates (€9 million in H1 2015).

Net earnings per share were €0.35 on basic capital and €0.34 on diluted capital (€0.29 on basic capital and diluted capital in H1 2015).

### Free Cash Flow

Free cash flow amounted to €7.1 million, up €3.2 million compared with H1 2015.

The research tax credit (€3.4 million) and the competitiveness and employment tax credit (€0.4 million) for H1 2016 were accounted for but not received. If they had been received, free cash flow would have been €11 million.

### Shareholders' Equity

At June 30, 2016, consolidated shareholders' equity amounted to €113.9 million (€113 million at December 31, 2015) after payment on May 6 of the dividend of €9.3 million (€0.30 per share) declared in respect of FY 2015.

The company has been debt free since March 31, 2015. Cash and cash equivalents as well as net cash position totaled €57.8 million (€59.3 million at December 31, 2015).

The working capital requirement was positive at €0.4 million. This includes the receivable of €25.6 million on the French tax administration (*Trésor public*) corresponding to the research tax credits recognized since fiscal year 2012, which have not yet been received or offset against income tax. Restated for this receivable, the working capital requirement was negative at €25.2 million, a key feature of the Group's business model.

When these tax credits cannot be deducted from corporate income tax, they are treated as a receivable on the French tax administration. If unused in the ensuing three years, they are repaid to the company in the fourth year. Thus, the company expects to receive reimbursement of the remainder (€5.1 million) of the 2012 research tax credit in the course of the year.

### 3. SHARE CAPITAL – OWNERSHIP – SHARE PRICE PERFORMANCE

#### Change in Share Capital

At June 30, 2016, the share capital totaled €30,957,385 divided into 30,957,385 shares with a par value of €1.00.

Share capital has increased by €170,986 (with a total share premium of €469,441) due to the creation of 170,986 shares since January 1, 2016 resulting from the exercise of stock options.

#### *Main Shareholders*

On April 8, 2016, and again in a second disclosure on April 24, Allianz SE (Germany) reported that, acting through French companies controlled by it, it had increased its shareholding above the thresholds of 5% of the company's capital stock and voting rights and that it held 5.10% of the capital stock and 5.05% of the voting rights.

No other crossing of statutory thresholds has been notified to the company since January 1, 2016.

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

- André Harari and Daniel Harari together hold 35.9% of the capital and 35.5% of the voting rights;
- Delta Lloyd Asset Management NV (Netherlands), on behalf of investment funds and clients managed by it, and Allianz SE (Germany), through French companies controlled by it, each hold more than 5% (but less than 10%) of the capital and the voting rights.

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

#### Treasury Shares

At June 30, 2016, the company held 0.05% of its own shares in treasury shares, solely within the framework of the Liquidity Agreement contracted with Exane BNP Paribas.

#### Share Price Performance and Trading Volumes

The company's share price at June 30, 2016, was €13.81, up 14% compared with December 31, 2015 (€12.10). It reached a low of €10.76 on February 11 and a high of €14.70 on May 27.

The CAC 40 index and the CAC Mid & Small index fell by 9% and 7% respectively over the six months of this year.

According to Euronext statistics, the number of shares traded on Euronext (2.3 million) fell by 56%, and trading volumes (€30.3 million) were down 52% compared with H1 2015. These figures do not include trading on any other trading platform.

### 4. SIGNIFICANT POST-CLOSING EVENTS

No significant event has occurred since June 30, 2016.

### 5. FINANCIAL CALENDAR

The Q3 financial results will be published on October 27, after close of trading on Euronext.

## 6. BUSINESS TRENDS AND OUTLOOK

The company entered 2016 with even more solid operating fundamentals than in 2015 and an even stronger balance sheet.

The company reported on its business trends and outlook in its February 11, 2016 financial report and in its annual report, to which readers are invited to refer, emphasizing that 2016 looked unpredictable once again. It stated that persistent macroeconomic, geopolitical and monetary uncertainty was liable to continue to weigh heavily on companies' investment decisions.

The company had indicated that its objectives for FY 2016 were to achieve a growth in revenues of 6% to 12% and a growth in income from operations of 8% to 25%, like-for-like.

The June 30 results being in line with its roadmap, the company decided to step up its R&D plan with effect from July 1, 2016. This decision is expected to increase fixed overhead costs (after deduction of the research and development tax credit) by around €1.1 million in the second half of 2016, leading to a 3.5 percentage points reduction in the growth rate of income from operations for the year.

Thus, and taking into account the results and business activity of the first half, the company now expects for FY 2016 to achieve a growth in revenues of 8% to 11% and a growth in income from operations of 9% to 19%, like-for-like.

The company will unveil its new roadmap for 2017-2019, upon publication of its fourth-quarter and full-year 2016 results, on February 9, 2017.

The Board of Directors

July 28, 2016

## Company Certification of the First-Half 2016 Report

We certify that, to our knowledge, the first-half financial statements have been prepared in accordance with currently applicable accounting standards and provide a fair view of the assets, financial condition, and results of the company and of its consolidated companies. We further certify that the first-half report on operations presents a true and sincere view of the significant events that occurred during the first six months of the fiscal year and their impact on the financial statements, and a description of the main risks and uncertainties for the coming six months.

Paris, July 28, 2016

Daniel Harari  
Chief Executive Officer

Jérôme Viala  
Chief Financial Officer

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### ASSETS

(in thousands of euros)	June 30, 2016	December 31, 2015	June 30, 2015
Goodwill	32,493	32,769	32,585
Other intangible assets	4,642	4,890	4,687
Property, plant and equipment	19,203	19,706	17,830
Non-current financial assets	2,111	2,100	1,896
Deferred tax assets	9,259	8,696	8,016
<b>Total non-current assets</b>	<b>67,708</b>	<b>68,161</b>	<b>65,014</b>
Inventories	25,532	23,326	23,475
Trade accounts receivable	44,331	53,404	42,790
Other current assets	34,825	31,493	36,821
Cash and cash equivalents	57,826	59,347	41,535
<b>Total current assets</b>	<b>162,514</b>	<b>167,570</b>	<b>144,621</b>
<b>Total assets</b>	<b>230,222</b>	<b>235,731</b>	<b>209,635</b>

### EQUITY AND LIABILITIES

(in thousands of euros)	June 30, 2016	December 31, 2015	June 30, 2015
Share capital	30,957	30,786	30,723
Share premium	9,488	9,018	8,773
Treasury shares	(191)	(203)	(282)
Currency translation adjustments	(9,014)	(8,194)	(8,135)
Retained earnings and net income	82,618	81,547	66,891
<b>Total equity</b>	<b>113,858</b>	<b>112,954</b>	<b>97,969</b>
Retirement benefit obligations	9,194	8,420	8,444
Borrowings, non-current portion	-	-	-
<b>Total non-current liabilities</b>	<b>9,194</b>	<b>8,420</b>	<b>8,444</b>
Trade and other current payables	52,901	57,561	50,392
Deferred revenues	47,754	50,325	46,656
Current income tax liabilities	3,606	3,561	2,984
Borrowings, current portion	-	-	-
Provisions for other liabilities and charges	2,909	2,910	3,190
<b>Total current liabilities</b>	<b>107,170</b>	<b>114,357</b>	<b>103,222</b>
<b>Total equity and liabilities</b>	<b>230,222</b>	<b>235,731</b>	<b>209,635</b>



## CONSOLIDATED INCOME STATEMENT

(in thousands of euros)	Three months ended June 30, 2016	Six months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2015
Revenues	64,132	126,345	60,308	116,428
Cost of goods sold	(17,082)	(33,366)	(14,824)	(28,195)
<b>Gross profit</b>	<b>47,050</b>	<b>92,979</b>	<b>45,484</b>	<b>88,233</b>
Research and development	(4,196)	(8,157)	(3,589)	(7,147)
Selling, general and administrative expenses	(34,768)	(69,397)	(34,331)	(67,912)
<b>Income from operations</b>	<b>8,086</b>	<b>15,425</b>	<b>7,564</b>	<b>13,174</b>
Financial income	16	73	40	128
Financial expenses	(153)	(258)	(120)	(230)
Foreign exchange income (loss)	42	(142)	(286)	(411)
<b>Income before tax</b>	<b>7,990</b>	<b>15,098</b>	<b>7,197</b>	<b>12,660</b>
Income tax	(2,465)	(4,443)	(1,916)	(3,668)
<b>Net income</b>	<b>5,525</b>	<b>10,655</b>	<b>5,281</b>	<b>8,992</b>

(in euros)

Earnings per share:

- basic	0.18	0.35	0.17	0.29
- diluted	0.17	0.34	0.17	0.29

Shares used in calculating earnings per share

- basic	30,924,887	30,863,180	30,606,349	30,513,708
- diluted	31,714,833	31,666,366	31,683,121	31,537,389

## STATEMENT OF COMPREHENSIVE INCOME

(in thousands of euros)	Three months ended June 30, 2016	Six months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2015
<b>Net income</b>	<b>5,525</b>	<b>10,655</b>	<b>5,281</b>	<b>8,992</b>
Currency translation adjustments	(820)	(820)	(72)	368
Tax effect	-	-	-	-
<b>Other comprehensive income to be reclassified in net income</b>	<b>(820)</b>	<b>(820)</b>	<b>(72)</b>	<b>368</b>
Remeasurement of the net liability arising from defined benefits pension plans	(581)	(581)	121	169
Tax effect	190	190	(29)	(43)
<b>Other comprehensive income not to be reclassified in net income</b>	<b>(391)</b>	<b>(391)</b>	<b>92</b>	<b>126</b>
<b>Total other comprehensive income</b>	<b>(1,211)</b>	<b>(1,211)</b>	<b>20</b>	<b>494</b>
<b>Comprehensive income</b>	<b>4,314</b>	<b>9,444</b>	<b>5,301</b>	<b>9,486</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of euros)	Six months ended June 30, 2016	Six months ended June 30, 2015
<b>I - OPERATING ACTIVITIES</b>		
Net income	10,655	8,992
Net depreciation, amortization and provisions	3,296	3,280
Non-cash operating expenses	(625)	(525)
Loss (profit) on sale of fixed assets	35	2
Changes in deferred income taxes	(330)	330
Changes in inventories	(2,588)	(2,453)
Changes in trade accounts receivable	6,546	5,028
Changes in other current assets and liabilities	(7,714)	(7,868)
<b>Net cash provided by (used in) operating activities</b>	<b>9,275</b>	<b>6,786</b>
<b>II - INVESTING ACTIVITIES</b>		
Purchases of intangible assets	(675)	(1,020)
Purchases of property, plant and equipment	(1,508)	(2,058)
Proceeds from sales of intangible assets and property, plant and equipment	6	7
Purchases of financial assets <sup>(1)</sup>	(1,632)	(1,454)
Proceeds from sales of financial assets <sup>(1)</sup>	1,671	1,721
<b>Net cash provided by (used in) investing activities</b>	<b>(2,138)</b>	<b>(2,804)</b>
<b>III - FINANCING ACTIVITIES</b>		
Proceeds from issuance of ordinary shares	640	1,885
Dividends paid	(9,274)	(7,646)
Purchases of treasury shares	(1,543)	(1,534)
Sales of treasury shares	1,605	1,442
Repayments of long-term and short-term borrowings	-	(394)
<b>Net cash provided by (used in) financing activities</b>	<b>(8,572)</b>	<b>(6,247)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(1,435)</b>	<b>(2,265)</b>
<b>Cash and cash equivalents at opening</b>	<b>59,347</b>	<b>43,484</b>
Increase (decrease) in cash and cash equivalents	(1,435)	(2,265)
Effect of changes in foreign exchange rates	(86)	316
<b>Cash and cash equivalents at closing</b>	<b>57,826</b>	<b>41,535</b>
<b>Free cash flow</b>	<b>7,137</b>	<b>3,982</b>
Income tax (paid) / reimbursed, net	(3,013)	(2,329)
Interest (paid)	-	-

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in thousands of euros, except for par value per share expressed in euros)	Share capital			Share premium	Treasury shares	Currency translation adjustments	Retained earnings and net income	Equity
	Number of shares	Par value per share	Share capital					
<b>Balance at January 1, 2015</b>	<b>30,329,114</b>	<b>1.00</b>	<b>30,329</b>	<b>7,282</b>	<b>(133)</b>	<b>(8,503)</b>	<b>65,327</b>	<b>94,302</b>
Net income							8,992	8,992
Other comprehensive income						368	126	494
<b>Comprehensive income</b>						<b>368</b>	<b>9,118</b>	<b>9,486</b>
Exercised stock options	393,860	1.00	394	1,491				1,885
Fair value of stock options							54	54
Sale (purchase) of treasury shares					(149)			(149)
Profit (loss) on treasury shares							38	38
Dividends paid							(7,646)	(7,646)
<b>Balance at June 30, 2015</b>	<b>30,722,974</b>	<b>1.00</b>	<b>30,723</b>	<b>8,773</b>	<b>(282)</b>	<b>(8,135)</b>	<b>66,891</b>	<b>97,969</b>
<b>Balance at January 1, 2015</b>	<b>30,329,114</b>	<b>1.00</b>	<b>30,329</b>	<b>7,282</b>	<b>(133)</b>	<b>(8,503)</b>	<b>65,327</b>	<b>94,302</b>
Net income							23,377	23,377
Other comprehensive income						309	290	599
<b>Comprehensive income</b>						<b>309</b>	<b>23,667</b>	<b>23,976</b>
Exercised stock options	457,285	1.00	457	1,737				2,194
Fair value of stock options							167	167
Sale (purchase) of treasury shares					(70)			(70)
Profit (loss) on treasury shares							30	30
Dividends paid							(7,646)	(7,646)
<b>Balance at December 31, 2015</b>	<b>30,786,399</b>	<b>1.00</b>	<b>30,786</b>	<b>9,018</b>	<b>(203)</b>	<b>(8,194)</b>	<b>81,547</b>	<b>112,954</b>
Net income							10,655	10,655
Other comprehensive income						(820)	(391)	(1,211)
<b>Comprehensive income</b>						<b>(820)</b>	<b>10,264</b>	<b>9,444</b>
Exercised stock options	170,986	1.00	171	469				640
Fair value of stock options							48	48
Sale (purchase) of treasury shares					12			12
Profit (loss) on treasury shares							33	33
Dividends paid							(9,274)	(9,274)
<b>Balance at June 30, 2016</b>	<b>30,957,385</b>	<b>1.00</b>	<b>30,957</b>	<b>9,488</b>	<b>(191)</b>	<b>(9,014)</b>	<b>82,618</b>	<b>113,858</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT JUNE 30, 2016

### 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 overcome their major strategic challenges: cutting costs and boosting productivity; reducing time-to-market; managing 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 parts).

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 more than 1,500 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 34 sales and services subsidiaries, which are backed by agents and distributors in some regions. Thanks to this unrivaled network, Lectra generated 91% of its revenues directly in 2015. 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 850 employees dedicated to marketing, sales and services in the world. It employs 260 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 is based on three pillars:

- a balance of risks, which benefit from natural hedging by the distribution of business activity over market sectors and geographical markets with cycles that are different from each other, and by the very large number of customers throughout the world;
- a balanced revenue mix between revenues from new systems sales, the company's growth driver, and revenues from recurring contracts and consumables and parts, a key factor in the company's stability, that provide a cushion in periods of difficult economic conditions;
- the generation of annual free cash flow exceeding 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/finance/accounting/ias/index\\_en.htm](http://ec.europa.eu/finance/accounting/ias/index_en.htm)

The condensed consolidated financial statements at June 30, 2016, have been prepared in accordance with IAS 34 - Interim Financial Statements. They do not comprise all of the financial disclosures required in the complete financial statements and should be read in conjunction with the Group's consolidated financial statements and corresponding notes for the fiscal year 2015, available on [lectra.com](http://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 2015 annual financial statements. They have been prepared under the responsibility of the Board of Directors at its meeting of July 28, 2016. 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 whose application is required for fiscal years starting from January 1, 2016 have no impact on the Group's financial statements. The Group has not early adopted any standards, amendments or interpretations whose application is not required for fiscal years starting from January 1, 2016.

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 2016 figures restated at 2015 exchange rates, in comparison with actual data for 2015.

### *Critical Accounting Estimates and Judgments*

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

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

### *Revenues*

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

For hardware, these conditions are fulfilled upon physical transfer of the hardware in accordance with the contractual sale terms. For software, these conditions are generally fulfilled at the time of installation of the software on the customer's computer (either by CD-ROM or downloading).

Revenues from software evolution contracts and recurring services contracts are billed in advance, and their booking is spread over the duration of the contracts.

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

### *Cost of Goods Sold*

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

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

### *Research and Development Costs*

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

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

### *Earnings per Share*

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

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

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

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

### *Free Cash Flow*

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

### *Operating Segments*

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

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

Performance is measured by the segment's income from operations before non-recurring items and impairment of assets, if any. Marketing regions derive their revenues from external customers; all inter-segment billings are excluded from this item. The gross 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, 2016, the Group's scope of consolidation comprised the parent company, Lectra SA, together with 30 fully-consolidated companies.

In June 2016, the company established a new subsidiary in Vietnam, Lectra Vietnam, with a view to accelerating its development plan in Asia.

Fully consolidated in the June 30, 2016 financial statements, this subsidiary assumed on July 1, 2016 the assets of the agent that previously represented Lectra in this country for many years. At June 30, 2016, only the capital has been paid in; thus, the creation of this subsidiary has no impact on the Group consolidated financial statements. The impact on the income statement and the statement of financial position of the Group will later be immaterial, the bulk of sales in this country having been until then billed by Lectra SA.

There was no other change in the scope of consolidation during the first half of 2016.

In October 2015, the company had created a new subsidiary, Lectra Tunisie CP, whose only business is the sale of consumables and parts in Tunisia. Since October 1, 2015, this subsidiary has taken over this business, which had been until then managed and invoiced directly by Lectra SA in France, as the first subsidiary Lectra Systèmes Tunisie is limited to selling services. The impact of the creation of Lectra Tunisie CP on the income statement and the statement of financial position of the Group was immaterial.

Four sales and service subsidiaries are not consolidated, their revenues being immaterial both separately and combined. At June 30, 2016, their combined revenues totaled €0.6 million, and their combined assets in their statement of financial position totaled €2.7 million. They had no financial debt outside of the Group. Most of these subsidiaries' sales activity is billed directly by Lectra SA.

Transactions with these related parties mainly concern purchases from Lectra SA for the purposes of their local operations, or charges and commissions billed to Lectra SA in order to cover their overheads when they act as agents. The amount concerned by these transactions was not material at June 30, 2016.



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

### 4.1. Q2 2016

(in thousands of euros)	Three Months Ended June 30				
	2016		2015	Changes 2016/2015	
	Actual	At 2015 exchange rates	Actual	Actual	Like-for-like
<b>Revenues</b>	64,132	65,352	60,308	+6%	+8%
Cost of goods sold	(17,082)	(17,199)	(14,824)	+15%	+16%
<b>Gross profit</b>	47,050	48,153	45,485	+3%	+6%
(in % of revenues)	73.4%	73.7%	75.4%	-2.0 points	-1.7 points
Research and development	(4,196)	(4,196)	(3,589)	+17%	+17%
Selling, general and administrative expenses	(34,768)	(35,364)	(34,331)	+1%	+3%
<b>Income from operations</b>	8,086	8,594	7,564	+7%	+14%
(in % of revenues)	12.6%	13.2%	12.5%	+0.1 points	+0.7 points
<b>Income before tax</b>	7,990	8,498	7,197	+11%	+18%
Income tax	(2,465)	na	(1,916)	+29%	na
<b>Net income</b>	5,525	na	5,281	+5%	na

### 4.2. First Half 2016

(in thousands of euros)	Six Months Ended June 30				
	2016		2015	Changes 2016/2015	
	Actual	At 2015 exchange rates	Actual	Actual	Like-for-like
<b>Revenues</b>	126,345	128,178	116,428	+9%	+10%
Cost of goods sold	(33,366)	(33,430)	(28,195)	+18%	+19%
<b>Gross profit</b>	92,979	94,748	88,233	+5%	+7%
(in % of revenues)	73.6%	73.9%	75.8%	-2.2 points	-1.9 points
Research and development	(8,157)	(8,157)	(7,147)	+14%	+14%
Selling, general and administrative expenses	(69,397)	(70,223)	(67,912)	+2%	+3%
<b>Income from operations</b>	15,425	16,368	13,174	+17%	+24%
(in % of revenues)	12.2%	12.8%	11.3%	+0.9 points	+1.5 points
<b>Income before tax</b>	15,098	16,040	12,660	+19%	+27%
Income tax	(4,443)	na	(3,668)	+21%	na
<b>Net income</b>	10,655	na	8,992	+18%	na

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

### 5.1. Q2 2016

#### Revenues by geographic region

(in thousands of euros)	Three Months Ended June 30							
	2016		At 2015 exchange rates	2015		Changes 2016/2015		
	Actual	%		Actual	%	Actual	Like-for-like	
Europe, of which:	27,457	43%	27,763	26,333	43%	+4%	+5%	
- France	4,857	8%	4,855	4,003	7%	+21%	+21%	
Americas	15,618	24%	16,100	16,111	27%	-3%	0%	
Asia-Pacific	17,131	27%	17,411	14,496	24%	+18%	+20%	
Other countries	3,926	6%	4,078	3,368	6%	+17%	+21%	
<b>Total</b>	<b>64,132</b>	<b>100%</b>	<b>65,352</b>	<b>60,308</b>	<b>100%</b>	<b>+6%</b>	<b>+8%</b>	

#### Revenues by product line

(in thousands of euros)	Three Months Ended June 30							
	2016		At 2015 exchange rates	2015		Changes 2016/2015		
	Actual	%		Actual	%	Actual	Like-for-like	
Software, of which:	17,471	27%	17,790	17,684	29%	-1%	+1%	
- New licenses	5,770	9%	5,861	6,019	10%	-4%	-3%	
- Software evolution and online services contracts	11,701	18%	11,929	11,665	19%	0%	+2%	
CAD/CAM equipment	18,340	29%	18,562	15,995	27%	+15%	+16%	
Hardware maintenance and online services contracts	8,554	13%	8,754	8,262	14%	+4%	+6%	
Consumables and parts	16,460	26%	16,912	14,763	24%	+11%	+15%	
Training and consulting services	2,833	4%	2,856	3,054	5%	-7%	-7%	
Miscellaneous	474	1%	478	550	1%	-14%	-13%	
<b>Total</b>	<b>64,132</b>	<b>100%</b>	<b>65,352</b>	<b>60,308</b>	<b>100%</b>	<b>+6%</b>	<b>+8%</b>	

#### Breakdown of revenues between revenues from new systems sales and recurring revenues

(in thousands of euros)	Three Months Ended June 30							
	2016		At 2015 exchange rates	2015		Changes 2016/2015		
	Actual	%		Actual	%	Actual	Like-for-like	
Revenues from new systems sales <sup>(1)</sup>	27,417	43%	27,756	25,618	42%	+7%	+8%	
Recurring revenues <sup>(2)</sup> , of which:	36,715	57%	37,596	34,690	58%	+6%	+8%	
- Recurring contracts	20,255	31%	20,684	19,927	34%	+2%	+4%	
- Consumables and parts	16,460	26%	16,912	14,763	24%	+11%	+15%	
<b>Total</b>	<b>64,132</b>	<b>100%</b>	<b>65,352</b>	<b>60,308</b>	<b>100%</b>	<b>+6%</b>	<b>+8%</b>	

(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 online services contracts, and CAD/CAM equipment maintenance and online services contracts, which are renewable annually;
- Revenues from sales of consumables and parts, which are statistically recurrent.

## 5.2. First Half 2016

### Revenues by geographic region

(in thousands of euros)	Six Months Ended June 30							
	2016			2015			Changes 2016/2015	
	Actual	%	At 2015 exchange rates	Actual	%	Actual	Like-for-like	
Europe, of which:	54,154	43%	54,600	50,335	43%	+8%	+8%	
- France	9,398	7%	9,397	8,138	7%	+15%	+15%	
Americas	33,621	27%	34,211	30,121	26%	+12%	+14%	
Asia-Pacific	30,680	24%	31,160	28,595	25%	+7%	+9%	
Other countries	7,890	6%	8,207	7,377	6%	+7%	+11%	
<b>Total</b>	<b>126,345</b>	<b>100%</b>	<b>128,178</b>	<b>116,428</b>	<b>100%</b>	<b>+9%</b>	<b>+10%</b>	

### Revenues by product line

(in thousands of euros)	Six Months Ended June 30							
	2016			2015			Changes 2016/2015	
	Actual	%	At 2015 exchange rates	Actual	%	Actual	Like-for-like	
Software, of which:	35,045	28%	35,552	34,877	30%	0%	+2%	
- New licenses	11,686	9%	11,853	12,028	10%	-3%	-1%	
- Software evolution and online services contracts	23,359	18%	23,699	22,850	20%	+2%	+4%	
CAD/CAM equipment	36,353	29%	36,754	29,440	26%	+23%	+25%	
Hardware maintenance and online services contracts	17,021	13%	17,276	16,626	14%	+2%	+4%	
Consumables and spare parts	31,364	25%	31,991	28,297	24%	+11%	+13%	
Training and consulting services	5,545	4%	5,582	6,111	5%	-9%	-9%	
Miscellaneous	1,017	1%	1,023	1,077	1%	-6%	-5%	
<b>Total</b>	<b>126,345</b>	<b>100%</b>	<b>128,178</b>	<b>116,428</b>	<b>100%</b>	<b>+9%</b>	<b>+10%</b>	

### Breakdown of revenues between new systems sales and recurring revenues

(in thousands of euros)	Six Months Ended June 30							
	2016			2015			Changes 2016/2015	
	Actual	%	At 2015 exchange rates	Actual	%	Actual	Like-for-like	
Revenues from new systems sales <sup>(1)</sup>	54,601	43%	55,212	48,656	42%	+12%	+13%	
Recurring revenues <sup>(2)</sup> , of which:	71,744	57%	72,966	67,772	58%	+6%	+8%	
- Recurring contracts	40,380	32%	40,975	39,475	34%	+2%	+4%	
- Consumables and spare parts	31,364	25%	31,991	28,297	24%	+11%	+13%	
<b>Total</b>	<b>126,345</b>	<b>100%</b>	<b>128,178</b>	<b>116,428</b>	<b>100%</b>	<b>+9%</b>	<b>+10%</b>	

(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 online services contracts, and CAD/CAM equipment maintenance and online services contracts, which are renewable annually;
- Revenues from sales of consumables and parts, which are statistically recurrent.

### Breakdown of revenues from new systems sales by market sector

(in thousands of euros)	Six Months Ended June 30							
	2016			2015			Changes 2016/2015	
	Actual	%	At 2015 exchange rates	Actual	%	Actual	Like-for-like	
Fashion and apparel	22,935	42%	23,235	22,722	46%	+1%	+2%	
Automotive	22,151	41%	22,304	16,385	34%	+35%	+36%	
Furniture	5,968	11%	6,112	7,130	15%	-16%	-14%	
Other industries	3,547	6%	3,561	2,419	5%	+47%	+47%	
<b>Total</b>	<b>54,601</b>	<b>100%</b>	<b>55,212</b>	<b>48,656</b>	<b>100%</b>	<b>+12%</b>	<b>+13%</b>	

## 6. OPERATING SEGMENTS INFORMATION

Six months ended June 30, 2016 (in thousands of euros)	Europe	Americas	Asia-Pacific	Other countries	Corporate	Total
Revenues	54,155	33,621	30,680	7,889	-	126,345
Income (loss) from operations	8,791	4,657	1,472	1,245	(740)	15,425

  

Six months ended June 30, 2015 <sup>(1)</sup> (in thousands of euros)	Europe	Americas	Asia-Pacific	Other countries	Corporate	Total
Revenues	50,335	30,121	28,595	7,377	-	116,428
Income (loss) from operations	7,162	3,085	1,057	1,209	661	13,174

(1) The 2015 amounts have been restated in order to account for the change in gross profit margins (see below) and allow for comparison with 2016.

The standard gross profit margins used to determine the performance of operating segments have been changed from January 1, 2016, to take into account the improvement in the overall profitability of the Group. This new allocation of gross profit between marketing regions and the Corporate segment allows for a more relevant analysis of performance by operating segment. The new margins will leave the income from operations for the Corporate segment close to zero over the full year, but seasonal variations of revenues and overhead costs may lead to a different result every quarter.

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

## 7. CONSOLIDATED CASH FLOW SUMMARY

Six months ended June 30, 2016 (in thousands of euros)	Cash and cash equivalents	Financial debts	Net cash
Free cash flow	7,137	-	7,137
Proceeds from issuance of ordinary shares <sup>(1)</sup>	640	-	640
Sale and purchase of treasury shares <sup>(2)</sup>	62	-	62
Dividends paid	(9,274)	-	(9,274)
Impact of currency variations – other	(86)	-	(86)
<b>Change in cash position for the period</b>	<b>(1,521)</b>	<b>-</b>	<b>(1,521)</b>
Cash position at December 31, 2015	59,347	-	59,347
Cash position at June 30, 2016	57,826	-	57,826
<b>Change in cash position for the period</b>	<b>(1,521)</b>	<b>-</b>	<b>(1,521)</b>

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

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

Free cash flow at June 30, 2016, was €7.1 million. This figure results from a combination of €9.3 million in cash flows provided by operating activities (including an increase in working capital requirement of €3.8 million) and capital expenditures of €2.1 million.

The main variations in working capital requirement were:

- –€6.5 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 shown in the consolidated statement of cash flows includes “deferred revenues” in the statement of financial position, which for the most part comprises the share of recurring contracts billed but not yet recognized in revenues);
- +€2.6 million corresponding to the increase in inventories;

- +€1.9 million arising from the increase of the receivable on the French tax administration (*Trésor public*) corresponding to the research tax credit for the first half of 2016, accounted for but not received, after deduction from the remaining amount of corporate income tax due by Lectra SA for the same period (see note 8 hereafter);
- +€1.6 million arising from the difference between the variable portion of salaries for the Group in respect of fiscal 2015 paid mainly in 2016, and the one recognized during the first half of 2016 and payable in 2017;
- +€4.3 million corresponding to a decrease in trade accounts payable;
- -€0.1 million arising from the change in other current assets and liabilities; taken individually, these changes are all immaterial.

The working capital requirement at June 30, 2016, was positive at €0.4 million. It comprised a receivable of €25.6 million on the French tax administration in respect of the research tax credit, which has not been received and has not been deducted from the corporate income tax expense (see note 8 hereafter). Restated for this receivable, the working capital requirement was negative at €25.2 million, which is a key feature of the Group's business model.

## 8. RESEARCH TAX CREDIT – COMPETITIVENESS AND EMPLOYMENT TAX CREDIT

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

The competitiveness and employment tax credits relating to fiscal 2015 and the first half of 2016 have been entirely deducted from the corporate income tax due by Lectra SA.

Thus, at June 30, 2016, Lectra SA held a €25.6 million receivable on the French tax administration. This comprised the remaining amount of the research tax credit, after deduction from the corporate income tax due by Lectra SA in the same year: for 2016 (€1.8 million), 2015 (€5.7 million), 2014 (€6.9 million), 2013 (€6.1 million) and 2012 (€5.1 million).

In light of its estimates of tax credits and corporate income tax for the next three fiscal years, the company does not expect to make any payment in respect of corporate income tax, from which will be deducted in full the competitiveness and employment tax credit, and, when applicable, the research tax credit of each fiscal year. It expects to receive the reimbursement of the balance outstanding of these non-deducted tax credits as follows: in 2016 (in respect of the 2012 tax credit), 2017 (in respect of the 2013 tax credit), 2018 (in respect of the 2014 tax credit), 2019 (in respect of the 2015 tax credit) and 2020 (in respect of the 2016 tax credit). This situation will last for as long as the amount of the annual tax credits exceeds the amount of income tax payable.

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

## 9. TREASURY SHARES

Since January 1, 2016, the company has purchased 119,355 shares and sold 123,175 shares at an average price of €12.92 and €13.03 respectively under the Liquidity Agreement administered by Exane BNP Paribas.

At June 30, 2016, the company held 14,520 Lectra shares (i.e. 0.05% of the share capital) with an average purchase price of €13.18 entirely under the Liquidity Agreement.

## 10. CASH AND CASH EQUIVALENTS AND NET CASH

(in thousands of euros)	June 30, 2016	December 31, 2015
Cash and cash equivalents	57,826	59,347
Borrowings and financial debts	-	-
<b>Net cash</b>	<b>57,826</b>	<b>59,347</b>

After the repayment on March 31, 2015 of the remaining of public grants to finance R&D programs for €0.4 million, which were its sole debt, the Group had no remaining borrowing or financial debt. Thus, cash and cash equivalents were equal to net cash, and amounted to €57.8 million.

## 11. FOREIGN EXCHANGE RISK

The Group's currency risk management policy is unchanged relative to December 31, 2015.

During the first half of 2016, the average parity between the US dollar and the euro was \$1.12/€1.

### *Exchange Risk Hedging Instruments*

Exchange risk hedging instruments at June 30, 2016 comprised forward sales or purchases of foreign currencies (mainly US dollar) for a net total equivalent value (sales minus purchases) of €7.7 million, intended to hedge existing balance sheet positions. Thus, the company has hedged almost all its balance sheet positions.

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

## 12. SENSITIVITY ANALYSIS

### *Sensitivity of Income from Operations to a Change in Revenues from New Systems Sales*

Under the company's business model, each €1 million increase (or decrease) in revenues from new systems sales results in a rise (or fall) in income from operations of approximately €0.45 million.

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

The company has based its 2016 scenarios on the December 31, 2015 exchange rates for the currencies in which the Group generates its revenues, notably \$1.10/€1.

In view of the estimated share of revenues and costs denominated in US dollars or in currencies correlated with the US dollar, a 5-cent fall in the euro against the US dollar (leading to an annual average exchange rate of \$1.05/€1) would mechanically increase 2016 annual revenues by approximately €4.4 million and annual income from operations by €2.4 million. Conversely, a 5-cent appreciation of the euro against the US dollar (i.e. \$1.15/€1) would mechanically reduce annual revenues and income from operations by the same amounts.

The parity is \$1.11/€1 at the date of this report.

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

STATUTORY AUDITORS' REVIEW REPORT ON THE 2016 CONDENSED HALF-YEAR  
CONSOLIDATED FINANCIAL STATEMENTS

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

To the Shareholders,

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

- the review of the accompanying condensed half-year consolidated financial statements of Lectra SA, for the period from January 1 to June 30, 2016 ;
- the verification of the information presented in the half-yearly management report.

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

### **1. Conclusion on the financial statements**

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

We have not reviewed the consolidated statement of income for the second quarter of the year 2016 and the comparative 2015 figures.

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

## 2. Specific verification

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

Neuilly-sur-Seine and Mérignac, July 28, 2016

The Statutory Auditors

*French original signed by*

PricewaterhouseCoopers Audit SA

KPMG SA

Matthieu Moussy

Jean-Pierre Raud