MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS FOR THIRD QUARTER AND FIRST NINE MONTHS OF 2017

Dear Shareholders,

We report below on Lectra Group's business activity and consolidated financial statements for the third quarter and first nine months of 2017, ending September 30. Financial statements at September 30 have not been reviewed by the Statutory Auditors.

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

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

1. SUMMARY OF OPERATIONS FOR Q3 2017

With an average parity of $1.17/€1 in Q3, the US dollar was down 5% compared to Q3 2016 ($1.12/€1). The yuan also declined by 5% against the euro. Currency changes mechanically decreased revenues by €1.9 million (-3%) and income from operations by €0.9 million (-8%) at actual exchange rates compared to like-for-like figures.

Strong Growth in Orders for New Systems

After increasing by 12% in the first half, orders for new systems (€26.5 million) rose by 15% (+ €3.7 million) compared to Q3 2016. Growth was 12% at actual exchange rates.

Orders for new CAD/CAM and PLM software licenses (€3.4 million) increased by 4%, those for CAD/CAM equipment and accompanying software (€19.3 million) by 17%, and those for training and consulting (€3.2 million) by 24%.

Moderate Growth in Income from Operations

Revenues totaled €67.2 million, up 7% compared to Q3 2016 (+4% at actual exchange rates).

Income from operations amounted to €10.6 million, up 3% like-for-like but down by 5% at actual exchange rates. The operating margin amounted to 15.8%, down 0.8 percentage points (-1.6 percentage points at actual exchange rates). It should be noted that income from operations is boosted in Q3 of each year by the natural drop in overhead costs over the summer vacation months.

Net income amounted to €7.3 million, down €0.7 million (-9%) at actual exchange rates.

Finally, free cash flow amounted to €2.9 million (€9.1 million in Q3 2016, after receipt of the balance of €5.1 million of the 2012 French research tax credit).

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

With an average parity of $1.11/€1 for the first nine months, the US dollar remained stable compared to the same period in 2016. The yuan, for its part, declined by 3%.

Currency changes had a negligible mechanical impact on revenues and increased income from operations by €0.2 million (+1%) at actual exchange rates compared to like-for-like figures.

Orders for New Systems

Orders for new systems amounted to €90.8 million, up €10.6 million (+13%) relative to the first nine months of 2016: +11% for new CAD/CAM and PLM software licenses, +15% for CAD/CAM equipment and accompanying software and +7% for training and consulting.

Orders for new systems are stable in Asia-Pacific and increased in all other regions. They increased 25% in Europe, 13% in the Americas, and 30% in the rest of the world (Northern Africa, South Africa, Turkey, the Middle East, etc.).

Orders increased in all market sectors: in the fashion and apparel market they were up 19%, 6% in the automotive market, and 14% in the furniture market. In the other industries, they increased by 22%. These market sectors respectively accounted for 48%, 36%, 10% and 6% of total orders.

Revenues

Revenues totaled €205.7 million, up 8% relative to the first nine months of 2016, both like-for-like and at actual exchange rates.

Revenues increased by 9% in Europe, 13% in Asia-Pacific and 22% in the rest of the world. They decreased by 2% in the Americas. These regions respectively accounted for 42% (including 7% for France), 27%, 7%, and 24% of total revenues. In 2016, they respectively accounted for 41% (including 7% for France), 26%, 6%, and 27% of total revenues.

Revenues from New Systems Sales

Revenues from new systems sales (€90.8 million) increased by 10% and accounted for 44% of total revenues (43% in 2016):

- Revenues from new CAD/CAM and PLM software licenses (€12.4 million) increased by 18% and accounted for 6% of total revenues (5% in 2016);
- Revenues from CAD/CAM equipment and accompanying software (€67 million) increased by 8% and accounted for 33% of total revenues (33% in 2016);
- Training and consulting revenues (€9.9 million) increased by 18% and accounted for 5% of total revenues (4% in 2016).

Revenues from Recurring Contracts, Consumables and Parts

Recurring revenues (€114.9 million) increased by 6%. They accounted for 56% of total revenues (57% in 2016).

Revenues from recurring contracts—which represented 58% of recurring revenues and 32% of total revenues—totaled €66.2 million, an 8% increase:

- Revenues from CAD/CAM and PLM software evolution and online services contracts (€28.7 million), up 5% compared to 2016, represented 14% of total revenues;
- Revenues from CAD/CAM equipment and accompanying software maintenance and online services contracts (€37.5 million), up 10%, represented 18% of total revenues.

In parallel, revenues from consumables and parts (€48.7 million) increased by 4% and represented 24% of total revenues (25% for the first nine months of 2016).

Order Backlog

At September 30, 2017, the order backlog for new systems (€24.5 million) was stable relative to December 31, 2016, like-for-like, but decreased by €1.4 million at actual exchange rates. The backlog was however up €3.9 million relative to September 30, 2016, at actual exchange rates.

This backlog comprised orders for new software licenses and CAD/CAM equipment totaling €17.7 million, including €16.2 million for shipment in Q4 2017, and €1.5 million in 2018, and €6.8 million for training and consulting, to be delivered as projects progress.

Gross Profit

Gross profit amounted to €150.5 million.

The overall gross profit margin was 73.2%, down 0.6 percentage points relative to the first nine months of 2016.

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

Overhead Costs

Total overhead costs were €121.4 million, up €7.4 million (+7%) compared to the first nine months of 2016.

The breakdown is as follows:

- €107.9 million in fixed overhead costs (+6%);
- €13.5 million in variable costs (+13%).

R&D costs (€18.8 million) are fully expensed in the period, included in overhead costs and represented 9.1% of revenues (€16.7 million and 8.7% in the first nine months of 2016). After deducting the research tax credit and the corresponding portion of the competitiveness and employment tax credit applicable in France, net R&D costs amounted to €12.9 million (€11.5 million in 2016).

Income from Operations and Net Income

Income from operations was €29.1 million, an increase of €2.3 million (+8%) like-for-like and €2.4 million (+9%) at actual exchange rates compared to the first nine months of 2016.

The operating margin was 14.1%, up 0.1 percentage points like-for-like and 0.2 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 €0.7 million.

After an income tax expense of €8 million, net income amounted to €20.1 million, up €1.3 million (+7%) at actual exchange rates.

Net earnings per share were €0.64 on basic capital and €0.62 on diluted capital (respectively €0.61 and €0.59 for the first nine months of 2016).

Free Cash Flow

Free cash flow amounted to €19.2 million, rising by €8.1 million at actual exchange rates compared to the first nine months of 2016, before receipt of the balance of the 2012 French research tax credit of €5.1 million. The Company expects to receive reimbursement of the balance (€6.3 million) of the 2013 research tax credit in Q4.

Shareholders' Equity

At September 30, 2017, consolidated shareholders' equity amounted to €141.8 million (€132.6 million at December 31, 2016), after payment on May 5 of the dividend of €11 million (€0.35 per share) declared in respect of FY 2016.

The company is debt free. Cash and cash equivalents, as well as net cash position, totaled €84 million (€75.7 million at December 31, 2016).

The working capital requirement was €1.5 million. This includes the receivable of €23.6 million on the French tax administration *(Trésor public)* corresponding to the research tax credits recognized since fiscal year 2013 (€21.6 million at December 31, 2016), which have not yet been received or offset against income tax. Restated for this receivable, the working capital requirement was a negative €22 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.

3. SHARE CAPITAL – OWNERSHIP – SHARE PRICE PERFORMANCE

Change in Share Capital

At September 30, 2017, the share capital totaled €31,494,828, divided into 31,494,828 shares with a par value of €1.00.

Share capital has increased by €247,274 (with a total share premium of €1,106,699) due to the creation of 247,274 shares since January 1, 2017 resulting from the exercise of stock options.

Main Shareholders

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

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

No crossing of statutory thresholds has been notified to the Company since June 30, 2017.

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

- Daniel Harari holds 17.5% of the capital and 17.3% of the voting rights;
- Kabouter Management LLC (United States) acting on behalf of investment funds that it manages, holds more than 10% (but less than 15%) of the capital and the voting rights;
- Allianz SE (Germany) through French companies it controls, and Kempen Oranje Participaties (The Netherlands) each hold more than 5% (but less than 10%) of the capital and the voting rights.

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

Treasury Shares

At September 30, 2017, the Company held 0.03% 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 September 30, 2017, was €26.56, up 47% compared to December 31, 2016 (€18.02). It reached a low of €16.89 on January 5 and a high of €30.00 on June 5.

The CAC 40 index and the CAC Mid & Small index progressed by 10% and 21% respectively over the first nine months of this year.

According to Euronext statistics, the number of shares traded on Euronext (7.4 million) increased by 123%, and trading volumes (€171.9 million) by 280% compared to the first nine months of 2016. These figures do not include trading on other trading platforms; if the latter are included, the total trading volume represents almost twice the volume recorded on Euronext, according to Company estimates. These figures exclude the disposal by André Harari of his entire shareholding in Lectra (5.6 million of shares) in June.

4. COOPTATION OF A NEW DIRECTOR

Following the resignation of André Harari from his position as Director on July 27, 2017, the Board of Directors on October 30, 2017 decided unanimously to coopt Ross McInnes as an independent Director, with effect from January 1, 2018.

This cooptation will be submitted for approval at the next annual Shareholders' Meeting which will take place on April 27, 2018.

5. SIGNIFICANT POST-CLOSING EVENTS

No significant event has occurred since September 30, 2017.

6. FINANCIAL CALENDAR

The Q4 and fiscal 2017 financial results will be published on February 12, 2018, after close of trading on Euronext.

7. BUSINESS TRENDS AND OUTLOOK

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

A New Strategic Roadmap for 2017-2019

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

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

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

2017 Outlook

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

Nevertheless, persistent macroeconomic, geopolitical, political and currency uncertainties, together with increased related risks, continue to weigh heavily on businesses' investment decisions.

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

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

On another note, the recent appreciation of the euro against the dollar and many other currencies, if it were to be confirmed, would mechanically reduce revenues in Q4 by approximately €3 million and income from operations by €1.8 million based on parities at September 30, 2017 compared to Q4 2016 (in particular $1.18/€1 against $1.08/€1).

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

The Board of Directors

October 30, 2017

Company Certification of the Report for the Third Quarter and First Nine Months of 2017

We certify that, to our knowledge, the financial statements for the third quarter and the first nine months of 2017 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 report on operations for the third quarter and first nine months presents a true and sincere view of the significant events that occurred during the first nine months of the fiscal year and their impact on the financial statements, as well as a description of the main risks and uncertainties for the remaining three months of the fiscal year.

Paris, October 30, 2017

Daniel Harari	Jérôme Viala
Chairman and Chief Executive Officer	Executive Vice President

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS (in thousands of euros)	September 30, 2017	December 31, 2016	September 30, 2016
Goodwill	32,211	33,334	32,885
Other intangible assets	3,279	4,179	4,376
Property, plant and equipment	22,854	21,317	20,381
Non-current financial assets	2,616	2,351	2,153
Deferred tax assets	8,359	9,323	9,225
Total non-current assets	69,319	70,504	69,020
Inventories	29,765	25,491	27,070
Trade accounts receivable	46,327	60,076	43,699
Other current assets	33,240	30,695	30,577
Cash and cash equivalents	84,037	75,696	67,268
Total current assets	193,369	191,958	168,614
Total assets	**262,688**	**262,462**	**237,634**

EQUITY AND LIABILITIES (in thousands of euros)	September 30, 2017	December 31, 2016	September 30, 2016
Share capital	31,495	31,248	31,171
Share premium	12,018	10,912	10,587
Treasury shares	(210)	(91)	(280)
Currency translation adjustments	(9,842)	(8,537)	(8,891)
Retained earnings and net income	108,308	99,052	90,413
Total equity	141,769	132,583	123,001
Retirement benefit obligations	9,350	8,943	9,871
Borrowings, non-current portion	-	-	-
Total non-current liabilities	9,350	8,943	9,871
Trade and other current payables	59,294	59,280	54,740
Deferred revenues	45,731	53,854	43,283
Current income tax liabilities	2,765	4,420	3,696
Borrowings, current portion	-	-	-
Provisions for other liabilities and charges	3,779	3,382	3,044
Total current liabilities	111,569	120,936	104,763
Total equity and liabilities	**262,688**	**262,462**	**237,634**

CONSOLIDATED INCOME STATEMENT

(in thousands of euros)	Three months ended September 30, 2017	Nine months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2016
Revenues	67,200	205,713	64,398	190,743
Cost of goods sold	(18,491)	(55,227)	(16,603)	(49,969)
Gross profit	48,709	150,485	47,795	140,774
Research and development	(3,907)	(12,932)	(3,361)	(11,518)
Selling, general and administrative expenses	(34,212)	(108,501)	(33,252)	(102,649)
Income from operations	10,591	29,052	11,182	26,607
Financial income	47	188	28	101
Financial expenses	(110)	(382)	(96)	(354)
Foreign exchange income (loss)	(117)	(746)	(196)	(338)
Income before tax	10,411	28,113	10,918	26,016
Income tax	(3,072)	(8,039)	(2,842)	(7,285)
Net income	**7,338**	**20,074**	**8,076**	**18,731**

(in euros)				
Earnings per share:				
- basic	0.23	0.64	0.26	0.61
- diluted	0.23	0.62	0.25	0.59
Shares used in calculating earnings per share				
- basic	31,462,233	31,371,310	31,004,440	30,910,610
- diluted	32,371,676	32,332,592	31,881,515	31,720,512

STATEMENT OF COMPREHENSIVE INCOME

(in thousands of euros)	Three months ended September 30, 2017	Nine months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2016
Net income	7,338	20,074	8,076	18,731
Currency translation adjustments	(365)	(1,000)	123	(697)
Tax effect	(96)	(305)	-	-
Other comprehensive income to be reclassified in net income	(460)	(1,305)	123	(697)
Remeasurement of the net liability arising from defined benefits pension plans	(96)	(90)	(537)	(1,118)
Tax effect	33	30	182	372
Other comprehensive income not to be reclassified in net income	(64)	(60)	(355)	(746)
Total other comprehensive income	(524)	(1,365)	(232)	(1,443)
Comprehensive income	**6,815**	**18,709**	**7,844**	**17,288**

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of euros)	Nine months ended September 30, 2017	Nine months ended September 30, 2016
I - OPERATING ACTIVITIES		
Net income	20,074	18,731
Net depreciation, amortization and provisions	6,057	5,175
Non-cash operating expenses	908	(698)
Loss (profit) on sale of fixed assets	41	34
Changes in deferred income taxes	258	(148)
Changes in inventories	(5,260)	(4,046)
Changes in trade accounts receivable	4,955	2,637
Changes in other current assets and liabilities	(2,820)	(1,052)
Net cash provided by (used in) operating activities	24,213	20,633
II - INVESTING ACTIVITIES		
Purchases of intangible assets	(333)	(910)
Purchases of property, plant and equipment	(4,345)	(3,505)
Proceeds from sales of intangible assets and property, plant and equipment	4	22
Acquisition cost of activities purchased (1)	-	(962)
Purchases of financial assets (2)	(3,754)	(2,449)
Proceeds from sales of financial assets (2)	3,426	2,452
Net cash provided by (used in) investing activities	(5,002)	(5,352)
III - FINANCING ACTIVITIES		
Proceeds from issuance of ordinary shares	1,354	1,954
Dividends paid	(10,977)	(9,274)
Purchases of treasury shares	(3,385)	(2,350)
Sales of treasury shares	3,313	2,364
Net cash provided by (used in) financing activities	(9,695)	(7,306)
Increase (decrease) in cash and cash equivalents	**9,516**	**7,975**
Cash and cash equivalents at opening	75,696	59,347
Increase (decrease) in cash and cash equivalents	9,516	7,975
Effect of changes in foreign exchange rates	(1,175)	(54)
Cash and cash equivalents at closing	84,037	67,268
Free cash flow	19,211	16,243
Income tax (paid) / reimbursed, net	(4,290)	(4,368)
Interest (paid)	-	-

(1) At September 30, 2016, this amount corresponded to the acquisition cost of the activities of the Group's former agent in Vietnam (see note 3 hereafter).

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in thousands of euros, except for par value per share expressed in euros)	Share capital Number of shares	Share capital Par value per share	Share capital Share capital	Share premium	Treasury shares	Currency translation adjustments	Retained earnings and net income	Equity
Balance at January 1, 2016	30,786,399	1.00	30,786	9,018	(203)	(8,194)	81,547	112,955
Net income							18,731	18,731
Other comprehensive income						(697)	(746)	(1,443)
Comprehensive income						(697)	17,985	17,288
Exercised stock options	384,806	1.00	385	1,569				1,954
Fair value of stock options							96	96
Sale (purchase) of treasury shares					(77)			(77)
Profit (loss) on treasury shares							60	60
Dividend paid							(9,274)	(9,274)
Balance at September 30, 2016	31,171,205	1.00	31,171	10,587	(280)	(8,891)	90,413	123,001
Balance at January 1, 2016	30,786,399	1.00	30,786	9,018	(203)	(8,194)	81,547	112,955
Net income							26,662	26,662
Other comprehensive income						(343)	(106)	(449)
Comprehensive income						(343)	26,556	26,213
Exercised stock options	461,155	1.00	461	1,893				2,354
Fair value of stock options							142	142
Sale (purchase) of treasury shares					112			112
Profit (loss) on treasury shares							81	81
Dividend paid							(9,274)	(9,274)
Balance at December 31, 2016	31,247,554	1.00	31,248	10,912	(91)	(8,537)	99,052	132,583
Net income							20,074	20,074
Other comprehensive income						(1,305)	(60)	(1,365)
Comprehensive income						(1,305)	20,014	18,709
Exercised stock options	247,274	1.00	247	1,107				1,354
Fair value of stock options							189	189
Sale (purchase) of treasury shares					(119)			(119)
Profit (loss) on treasury shares							31	31
Dividend paid							(10,977)	(10,977)
Balance at September 30, 2017	**31,494,828**	**1.00**	**31,495**	**12,018**	**(210)**	**(9,842)**	**108,308**	**141,769**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT SEPTEMBER 30, 2017

1. BUSINESS ACTIVITY

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

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

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

Worldwide Presence

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

Customers

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

Products and Services

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

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

People

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

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

Call Centers

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

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

Business Model

Lectra's business model is based on three pillars:

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

2. SUMMARY OF ACCOUNTING RULES AND METHODS

The consolidated financial statements are compliant with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board as adopted within the European Union, and available for consultation on the European Commission website:

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

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

The consolidated financial statements have been prepared in accordance with the same rules and methods as those applied in the preparation of the 2016 annual consolidated financial statements. They have been prepared under the responsibility of the Board of Directors at its meeting of October 30, 2017. Financial statements at September 30, 2017 and 2016 have not been reviewed by the Statutory Auditors

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

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

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

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

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

Critical Accounting Estimates and Judgments

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

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

Revenues

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

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

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

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

Cost of Goods Sold

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

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

Research and Development Costs

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

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

Earnings per Share

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

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

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

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

Free Cash Flow

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

Operating Segments

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

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

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

3. SCOPE OF CONSOLIDATION

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

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

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

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

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

Four sales and service subsidiaries are not consolidated, their revenues being immaterial both separately and combined. At September 30, 2017, their combined revenues totaled €1 million, and their combined assets totaled €2.4 million. They had no financial debt outside of the Group. Most of the sales activity of these subsidiaries is billed directly by Lectra SA.

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

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

4.1. Q3 2017

(in thousands of euros)	2017 Actual	2017 At 2016 exchange rates	2016 Actual	Changes 2017/2016 Actual	Changes 2017/2016 Like-for-like
	Three Months Ended September 30				
Revenues	67,200	69,063	64,398	+4%	+7%
Cost of goods sold	(18,491)	(18,640)	(16,603)	+11%	+12%
Gross profit	48,709	50,423	47,795	+2%	+5%
(in % of revenues)	72.5%	73.0%	74.2%	-1.7 points	-1.2 points
Research and development	(3,907)	(3,907)	(3,361)	+16%	+16%
Selling, general and administrative expenses	(34,212)	(35,021)	(33,252)	+3%	+5%
Income from operations	10,591	11,496	11,182	-5%	+3%
(in % of revenues)	15.8%	16.6%	17.4%	-1.6 points	-0.8 points
Income before tax	10,411	11,316	10,918	-5%	+4%
Income tax	(3,072)	na	(2,842)	+8%	na
Net income	7,338	na	8,076	-9%	na

4.2. First Nine Months of 2017

(in thousands of euros)	2017 Actual	2017 At 2016 exchange rates	2016 Actual	Changes 2017/2016 Actual	Changes 2017/2016 Like-for-like
	Nine Months Ended September 30				
Revenues	205,713	205,666	190,743	+8%	+8%
Cost of goods sold	(55,227)	(55,199)	(49,969)	+11%	+10%
Gross profit	150,485	150,467	140,775	+7%	+7%
(in % of revenues)	73.2%	73.2%	73.8%	-0.6 points	-0.6 points
Research and development	(12,932)	(12,932)	(11,518)	+12%	+12%
Selling, general and administrative expenses	(108,501)	(108,675)	(102,649)	+6%	+6%
Income from operations	29,052	28,859	26,608	+9%	+8%
(in % of revenues)	14.1%	14.0%	13.9%	+0.2 points	+0.1 points
Income before tax	28,113	27,920	26,016	+8%	+7%
Income tax	(8,039)	na	(7,285)	+10%	na
Net income	20,074	na	18,731	+7%	na

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

5.1. Q3 2017

Revenues by region

(in thousands of euros)	2017 Actual	2017 %	2017 At 2016 exchange rates	2016 Actual	2016 %	Changes 2017/2016 Actual	Changes 2017/2016 Like-for-like
Europe, of which:	27,692	41%	27,805	25,339	39%	+9%	+10%
- France	4,468	7%	4,465	3,823	6%	+17%	+17%
Americas	16,892	25%	17,704	17,264	27%	-2%	+3%
Asia-Pacific	17,777	26%	18,692	18,118	28%	-2%	+3%
Other countries	4,840	7%	4,861	3,677	6%	+32%	+32%
Total	67,200	100%	69,063	64,398	100%	+4%	+7%

Three Months Ended September 30

Revenues by type of business

(in thousands of euros)	2017 Actual	2017 %	2017 At 2016 exchange rates	2016 Actual	2016 %	Changes 2017/2016 Actual	Changes 2017/2016 Like-for-like
New CAD/CAM and PLM software licenses (1)	3,545	5%	3,646	3,718	6%	-5%	-2%
CAD/CAM and PLM software evolution and online services contracts (2)	9,584	14%	9,753	9,073	14%	+6%	+7%
CAD/CAM equipment and accompanying software (1)	22,561	34%	23,199	20,751	32%	+9%	+12%
CAD/CAM equipment and accompanying software maintenance and online services contracts (2)	12,380	18%	12,777	11,936	19%	+4%	+7%
Consumables and parts	15,292	23%	15,738	15,437	24%	-1%	+2%
Training and consulting services	3,230	5%	3,321	2,810	4%	+15%	+18%
Miscellaneous	609	1%	628	672	1%	-9%	-7%
Total	67,200	100%	69,063	64,398	100%	+4%	+7%

Three Months Ended September 30

(1) Accompanying software for CAD/CAM equipment, which appeared in 2016 under the 'New software licenses' heading, now appear under 'CAD/CAM equipment and accompanying software'. The 2016 amount (€2,688,000) has been restated accordingly to allow for comparison with 2017 data.

(2) Evolution and online services contracts related to CAD/CAM equipment accompanying software, which appeared in 2016 under the 'Software evolution and online services contracts' heading, now appear under 'CAD/CAM equipment and accompanying software maintenance and online services contracts'. The 2016 amount (€2,810,000) has been restated accordingly to allow for comparison with 2017 data.

Revenues by nature

(in thousands of euros)	2017 Actual	2017 %	2017 At 2016 exchange rates	2016 Actual	2016 %	Changes 2017/2016 Actual	Changes 2017/2016 Like-for-like
Revenues from new systems sales (1)	29,945	45%	30,795	27,952	43%	+7%	+10%
Recurring revenues (2), of which:	37,255	55%	38,269	36,446	57%	+2%	+5%
- Recurring contracts	21,963	33%	22,530	21,009	33%	+5%	+7%
- Consumables and parts	15,292	23%	15,738	15,437	24%	-1%	+2%
Total	67,200	100%	69,063	64,398	100%	+4%	+7%

Three Months Ended September 30

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

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

5.2. First Nine Months of 2017

Revenues by region

(in thousands of euros)	2017 Actual	2017 %	2017 At 2016 exchange rates	2016 Actual	2016 %	Changes 2017/2016 Actual	Changes 2017/2016 Like-for-like
Europe, of which:	86,046	42%	86,362	79,492	41%	+8%	+9%
- France	13,845	7%	13,845	13,221	7%	+5%	+5%
Americas	50,553	24%	49,986	50,885	27%	-1%	-2%
Asia-Pacific	54,765	27%	55,248	48,798	26%	+12%	+13%
Other countries	14,349	7%	14,069	11,568	6%	+24%	+22%
Total	205,713	100%	205,666	190,743	100%	+8%	+8%

Nine Months Ended September 30

Revenues by type of business

(in thousands of euros)	2017 Actual	2017 %	2017 At 2016 exchange rates	2016 Actual	2016 %	Changes 2017/2016 Actual	Changes 2017/2016 Like-for-like
New CAD/CAM and PLM software licenses (1)	12,352	6%	12,317	10,448	5%	+18%	+18%
CAD/CAM and PLM software evolution and online services contracts (2)	28,681	14%	28,653	27,194	14%	+5%	+5%
CAD/CAM equipment and accompanying software (1)	66,961	33%	67,126	62,061	33%	+8%	+8%
CAD/CAM equipment and accompanying software maintenance and online services contracts (2)	37,538	18%	37,556	34,196	18%	+10%	+10%
Consumables and parts	48,693	24%	48,495	46,801	25%	+4%	+4%
Training and consulting services	9,861	5%	9,886	8,356	4%	+18%	+18%
Miscellaneous	1,627	1%	1,633	1,689	1%	-4%	-3%
Total	205,713	100%	205,666	190,743	100%	+8%	+8%

Nine Months Ended September 30

(1) Accompanying software for CAD/CAM equipment, which appeared in 2016 under the 'New software licenses' heading, now appear under 'CAD/CAM equipment and accompanying software'. The 2016 amount (€7,645,000) has been restated accordingly to allow for comparison with 2017 data.

(2) Evolution and online services contracts related to CAD/CAM equipment accompanying software, which appeared in 2016 under the 'Software evolution and online services contracts' heading, now appear under 'CAD/CAM equipment and accompanying software maintenance and online services contracts'. The 2016 amount (€8,049,000) has been restated accordingly to allow for comparison with 2017 data.

Revenues by nature

(in thousands of euros)	2017 Actual	2017 %	2017 At 2016 exchange rates	2016 Actual	2016 %	Changes 2017/2016 Actual	Changes 2017/2016 Like-for-like
Revenues from new systems sales(1)	90,801	44%	90,962	82,553	43%	+10%	+10%
Recurring revenues(2), of which:	114,912	56%	114,704	108,190	57%	+6%	+6%
- Recurring contracts	66,219	32%	66,209	61,389	32%	+8%	+8%
- Consumables and spare parts	48,693	24%	48,495	46,801	25%	+4%	+4%
Total	205,713	100%	205,666	190,743	100%	+8%	+8%

Nine Months Ended September 30

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

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

Breakdown of revenues from new systems sales by market sector

(in thousands of euros)	2017 Actual	2017 %	2017 At 2016 exchange rates	2016 Actual	2016 %	Changes 2017/2016 Actual	Changes 2017/2016 Like-for-like
Fashion and apparel	41,022	45%	40,936	34,300	42%	+20%	+19%
Automotive	36,309	40%	36,459	34,910	42%	+4%	+4%
Furniture	8,773	10%	8,850	8,406	10%	+4%	+5%
Other industries	4,697	5%	4,717	4,937	6%	-5%	-4%
Total	90,801	100%	90,962	82,553	100%	+10%	+10%

Nine Months Ended September 30

6. OPERATING SEGMENTS INFORMATION

Nine months ended Septembre 30, 2017 (in thousands of euros)	Europe	Americas	Asia-Pacific	Other countries	Corporate	Total
Revenues	86,046	50,553	54,765	14,349	-	205,713
Income (loss) from operations	15,480	8,395	4,076	3,211	(2,110)	29,052

Nine months ended Septembre 30, 2016 (in thousands of euros)	Europe	Americas	Asia-Pacific	Other countries	Corporate	Total
Revenues	79,493	50,885	48,798	11,567	-	190,743
Income (loss) from operations	13,173	7,029	3,031	1,786	1,588	26,607

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

Nine months ended September 30, 2017 (in thousands of euros)	Cash and cash equivalents	Financial debts	Net cash
Free cash flow	19,211	-	19,211
Proceeds from issuance of ordinary shares (1)	1,354	-	1,354
Sale and purchase of treasury shares (2)	(72)	-	(72)
Dividends paid	(10,977)	-	(10,977)
Impact of currency variations – other	(1,175)	-	(1,175)
Change in cash position for the period	8,341	-	8,341
Cash position at December 31, 2016	75,696	-	75,696
Cash position at September 30, 2017	84,037	-	84,037
Change in cash position for the period	8,341	-	8,341

(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 September 30, 2017, was €19.2 million. This figure results from a combination of €24.2 million in cash flows provided by operating activities (including an increase in working capital requirement of €3.1 million) and capital expenditures of €5 million.

The main variations in working capital requirement were:

- −€5 million corresponding to the decrease in trade accounts receivable (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);
- +€5.3 million corresponding to the increase in inventories, given the increased manufacturing activity;
- +€2 million arising from the increase of the receivable on the French tax administration (*Trésor public*) corresponding to the research tax credit for the first nine months of 2017, accounted for but not received, after deduction from the corporate income tax due by Lectra SA for the same period (see note 8 hereafter);
- +€1.2 million arising from the difference between the variable portion of salaries for the Group in respect of fiscal 2016 paid mainly in 2017, and the one recognized during the first nine months of 2017 and payable in 2018;
- −€0.4 million arising from the change in other current assets and liabilities; taken individually, these changes are all immaterial.

The working capital requirement at September 30, 2017 amounted to €1.5 million. It comprised the receivable of €23.6 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. Restated for this receivable, the working capital requirement was negative at €22 million, which is a key feature of the Group’s business model.

8. RESEARCH TAX CREDIT – COMPETITIVENESS AND EMPLOYMENT TAX CREDIT

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

The research tax credit (€5.5 million) and the competitiveness and employment tax credit (€0.8 million) for the first nine months of 2017 were accounted for but not received.

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

Thus, at September 30, 2017, Lectra SA held a €23.6 million receivable on the French tax administration. This solely comprised the remaining amount of the research tax credit, after deduction from the corporate income tax due by Lectra SA in the same year: for 2017 (€2 million), 2016 (€2.6 million), 2015 (€5.7 million), 2014 (€6.9 million) and 2013 (€6.3 million).

In light of its estimates of tax credits and corporate income tax for the next three fiscal years, the company does not expect to make any payment in respect of corporate income tax, from which will be deducted in full the competitiveness and employment tax credit, and, when applicable, the research tax credit of each fiscal year. Thus, it expects to receive the reimbursement of the balance outstanding of these non-deducted tax credits as follows: in Q4 2017 (in respect of the 2013 tax credit), 2018 (in respect of the 2014 tax credit), 2019 (in respect of the 2015 tax credit), 2020 (in respect of the 2016 tax credit) and 2021 (in respect of the 2017 tax credit). This situation will last for as long as the amount of the annual tax credits exceeds the amount of income tax payable.

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

9. TREASURY SHARES

Since January 1, 2017, the company has purchased 146,292 shares and sold 142,085 shares at an average price of €23.14 and €23.18 respectively under the liquidity agreement administered by Exane BNP Paribas.

At September 30, 2017, the company held 8,492 Lectra shares (i.e. 0.03% of the share capital) with an average purchase price of €24.76 entirely under the liquidity agreement.

10. CASH AND CASH EQUIVALENTS AND NET CASH

(in thousands of euros)	September 30, 2017	December 31, 2016
Cash and cash equivalents	84,037	75,696
Borrowings and financial debts	-	-
Net cash	84,037	75,696

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

11. FOREIGN EXCHANGE RISK

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

During the first nine months of 2017, the average parity between the US dollar and the euro was $1.11/€1.

Exchange Risk Hedging Instruments

Exchange risk hedging instruments at September 30, 2017 were comprised of forward sales or purchases of foreign currencies (mainly US dollar) for a net total equivalent value (sales minus purchases) of €0.7 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, the company has not hedged its net exposure to the US dollar on its operating flows.

12. SENSITIVITY ANALYSIS

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

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

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

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

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

The parity is $1.16/€1 on the date of this report.

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