MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS FOR THE SECOND-QUARTER AND FIRST-HALF 2011

To all Shareholders,

We report below on Lectra Group's business activity and consolidated financial statements for the second quarter and first half of 2011, ending June 30. Financial statements for the first half have been subject to a limited review by the Statutory Auditors; statements relating purely to the second quarter have not been reviewed.

To make the discussion of revenues and earnings as relevant as possible, detailed comparisons between 2011 and 2010 are based on 2010 exchange rates ("like-for-like") unless stated otherwise. The comparison with figures for 2007, the last year before the onset of the economic and financial crisis, has been maintained in order to measure the progressive return to normal business activity and the strengthening of Lectra's key operating ratios.

1. SUMMARY OF OPERATIONS FOR Q2 2011

With an average parity of $1.44/€1, the U.S. dollar was down 12% compared to Q2 2010 ($1.27/€1). The change in this and other parities mechanically decreased revenues for the quarter by 5% and income from operations by €1.6 million at actual exchange rates, compared to like-for-like figures.

Growth in Orders Continues

At a total of €21.2 million, orders for new software licenses and CAD/CAM equipment were up 24% compared to Q2 2010 (€18.2 million). Q2 2010 orders had already significantly risen (+65%) relative to the Q2 2009 figure, which had been severely impacted by the crisis.

Orders for new software licenses were up 7%, and orders for CAD/CAM hardware rose 31%.

Sales of spare parts and consumables, up 13% at €11 million, registered new, strong gains, resulting from the combined effect of the increasing number of installed CAD/CAM systems and the continuing recovery in customers' production volumes.

Sharp Increase in Earnings

Revenues totaled €52.4 million, up 12% relative to Q2 2010—up 7% at actual exchange rates.

Revenues from new systems sales (€25.5 million) were up 23%. Recurring revenues (€26.8 million) rose by 3%, resulting from the combination of a 2% decrease in revenues from recurring contracts and a 13% increase in revenues from spare parts and consumables.

Income from operations amounted to €7.4 million, up €3.6 million (+68%) and the operating margin (14.2%) increased by 5.4 percentage points like-for-like. At actual exchange rates, income from operations increased by €2.1 million (+39%), and the operating margin by 3.2 percentage points.

Net income was €5.1 million, an increase of €2.4 million (+88%) at actual exchange rates compared to Q2 2010 (€2.7 million).

There were no non-recurring items in the second quarters of either 2011 or 2010.

Free cash flow was €5.2 million. Q2 2010 free cash flow (€13.8 million) included €6.2 million related to the reimbursement of the (French) research tax credit of FY 2009, whereas this measure has been rescinded with effect from 2011. Non-recurring disbursements in Q2 2011 amounted to €0.4 million (€0.1 million in Q2 2010).

Lectra Obtains the Recognition in Spain of the October 2009 Award Rendered by the International Arbitral Tribunal Against Induyco

In a decision of exequatur issued on June 27, 2011, the Madrid Court of First Instance recognized the arbitral award rendered against Induyco in October 2009 by an International Arbitral Tribunal seated in London, which had awarded Lectra €25.9 million (as at June 30, 2011).

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

In view of Induyco's persistent refusal to pay the outstanding €10.8 million still due, Lectra commenced an action of exequatur before the Madrid Court of First Instance at the end of December 2010, in order to enforce in Spain the arbitral award and recover the remaining amounts owed by Induyco. The decision confirming the validity and enforceability of the award in Spain, that the Madrid Court of First Instance has just rendered, represents a major milestone in the settlement of this dispute. It reinforces Lectra in its commitment to vigorously enforce its rights and to recover the full amount due to it under the award.

Induyco having appealed the June 27, 2011 decision, this decision does not modify the recognition of the award in the company's financial statements: the company has only recorded the €15.1 million received in 2010. The balance still due by Induyco will only be recorded upon its receipt.

As all of the costs incurred by Lectra have already been paid, the execution of the arbitral decision—once all possibilities of appeal are over—will result in a cash inflow equal to the balance of the award still still due by Induyco *(see note 8 of the notes to this report)*.

2. FIRST-HALF CONSOLIDATED FINANCIAL STATEMENTS

First half of 2011 orders and earnings confirm that the sales dynamics are ongoing and that the operating and financial ratios—which had already significantly strengthened in 2010—are continuing to improve.

With an average parity of $1.40/€1 for first-half 2011, the U.S. dollar was down 5% compared to first half of 2010. The change in this and other parities mechanically decreased revenues for the first-half by 2% and income from operations by €1.4 million at actual exchange rates, compared to like-for-like figures.

Orders

Orders for new software licenses and CAD/CAM equipment amounted to €43.1 million, up 24% relative to first-half 2010.

While orders for new software licenses were unchanged, those for CAD/CAM equipment were up 37%. This disparity stems primarily from market sector mix, with growth in automotive sector orders (+85%) outpacing the fashion sector (+10%). These two markets respectively represented 36% and 50% of total orders. Furniture sector orders were down 7%, and the other industries 16%.

Orders booked in the Americas jumped 28%, in the Asia-Pacific region and Europe they rose 27%; they dropped 12% overall in the rest of the world (Northern Africa, South Africa, Turkey, the Middle East, etc.). Orders in emerging countries (51% of total orders) advanced 38%, while they were up 12% in the developed countries (49% of total orders).

Orders were still down 21% relative to first-half 2007. The shortfall has narrowed to just 2% for the emerging countries, although it is still 35% for the developed countries.

These variations cannot, of course, allow for an extrapolation of trends for the coming quarters.

Revenues

First-half 2011 revenues totaled €102.1 million, up 13% relative to Q1 2010, like-for-like—up 11% at actual exchange rates.

The increase was 9% in Europe, 4% in the Americas, and 37% in the Asia-Pacific region. These three regions accounted for 51% (including 12% for France), 20%, and 24% of total revenues respectively. Revenues from the rest of the world, representing 5% of total Group revenues, increased by 3%.

Revenues from New Systems Sales

Revenues from new software licenses (€13.4 million) increased by 16% and contributed 13% of total revenues (as in first-half 2010).

CAD/CAM equipment revenues (€30.5 million) were up 34% and accounted for 30% of total revenues (compared to 26% in first-half 2010).

Revenues from training and consulting (€4.8 million) were up 14%.

Overall, revenues from new systems sales (€49 million) increased 26% and represented 48% of total revenues (compared to 44% in first-half 2010). This 4-percentage point increase in their relative share of total revenues reflects the continuing return to dynamic sales activity, begun in 2010.

Revenues from Recurring Contracts and Spare Parts and Consumables

Recurring revenues (€53.1 million) increased €1.7 million (+3%). They accounted for 52% of total revenues (compared to 56% in first-half 2010).

Revenues from recurring contracts—which represented 58% of recurring revenues and 30% of total revenues—totaled €30.9 million. After falling in 2009 and 2010, due to unusually high cancellation rates in 2008 and 2009 as a result of the crisis, these revenues have now practically stabilized (–2%).

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

- revenues from software evolution contracts (€14.6 million), down 1% compared to 2010 and representing 14% of total revenues (16% in first-half 2010) ;
- revenues from CAD/CAM equipment maintenance contracts and from subscription contracts to the Group's five International Call Centers (€16.3 million), which fell 4% and represented 16% of total revenues.

Meanwhile, revenues from spare parts and consumables (€21.4 million) grew 13%.

Order Backlog

Given that orders for new software licenses and CAD/CAM equipment for first-half 2011 are equivalent to revenues, the order backlog (€17.6 million) is therefore unchanged, like-for-like. However, it was down by €0.9 million at actual exchange rates, due to the impact of the dollar's fall against the euro between December 31, 2010 and June 30, 2011.

The order backlog at June 30, 2011 comprised €16.2 million for shipment in the second half of 2011, and €1.4 million in 2012.

Gross Profit Margin

Like-for-like, gross profit margins for each product line have increased, again demonstrating their strength in the face of heavy pressure from competitors, which has been exacerbated by the crisis.

The overall gross profit margin worked out to 70.4%. Like-for-like, it came to 70.8%, down 1.2 percentage point relative to the first-half 2010 figure of 72%.

This variation stems from changes in the product mix, with a rise in the share of revenues from CAD/CAM equipment and spare parts and consumables in total revenues, where margins are lower than for the other revenue components.

It should be noted that personnel expenses and other operating expenses incurred in the execution of service contracts are not included in cost of sales, but are recognized in selling, general, and administrative expenses.

Overhead Costs

Total overhead costs were €59 million, up €1.6 million (+3%) compared to first-half 2010. They break down as follows:

- €52.2 million in fixed overheads costs, up €0.5 million (+1%);
- €6.8 million in variable costs, up €1.1 million (+19%), this increase reflecting the growth in sales activity and earnings.

Research and development costs are fully expensed in the period and included in fixed overhead costs. Before deducting the (French) research tax credit and certain R&D program grants, R&D costs amounted to €9.3 million and represented 9.1% of revenues (compared to €8.3 million and 9.0% in 2010). This reflects the company's decision to step up its R&D effort. Net R&D costs after deduction of the research tax credit (the aggregate rate of which is lower in 2011 following the applicable tax changes) and grants amounted to €6.1 million (€5.1 million in 2010).

Income from Operations and Net Income

Income from operations was €12.9 million. Like-for-like, it amounted to €14.3 million, an increase of €6 million (+71%) relative to first-half 2010 (€8.3 million). At actual exchange rates, it increased by €4.5 million (+54%).

The operating margin was 12.6%. Like-for-like, it worked out to 13.7% and increased by 4.6 percentage points compared to first-half 2010 (9.1%). This represents an increase of 3.5 percentage points at actual exchange rates.

Financial income and expenses represent a net charge of €0.9 million. A positive foreign exchange gain of €0.1 million was recognized as a result of hedges against U.S. dollar risks, put in place for the first quarter.

After an income tax charge of €3.3 million, net income was €8.8 million, the double of first-half 2010 figure (€4.4 million) at actual exchange rates.

Net earnings per share on basic capital (€0.31) increased by 94% and on diluted capital (€0.30) by 88% at actual exchange rates (€0.16 per share for both items, in first-half 2010).

Free Cash Flow

Free cash flow amounted to €9.3 million before non-recurring items (€19.3 million in first-half 2010). First-half 2010 free cash flow included €6.2 million arising from early repayment of the 2009 research tax credit, this measure having been rescinded with effect from 2011.

After €0.9 million in non-recurring disbursements, free cash flow was €8.4 million (€18.8 million in 2010 after €0.5 million in non-recurring disbursements). This figure results from positive cash flow provided by operating activities of €9.8 million (which includes an increase in working capital requirement of €2.8 million) and capital expenditures of €1.4 million *(see note 7 of the notes to this report)*.

The first-half 2011 research tax credit (€2.7 million) was accounted for but not yet received. Assuming that the research tax credit was received, free cash flow before non-recurring items would amount to €12 million, exceeding net income by €3.2 million.

Shareholders' Equity

At June 30, 2011, consolidated shareholders' equity amounted to €47.9 million (€42 million at December 31, 2010).

This figure is calculated after deduction of treasury shares held solely within the Liquidity Agreement with SG Securities (Société Générale), carried at cost, i.e., €0.4 million (versus €0.4 million at December 31, 2010). It is also calculated after deduction of the total amount of €5.2 million dividend paid on May 10, 2011 in respect of fiscal 2010, as decided by the Ordinary Shareholders' Meeting of April 29, 2011.

Cash and cash equivalents totaled €31 million (€30.2 million at December 31, 2010).

Financial borrowings totaled €28.3 million (€32.6 million at December 31, 2010), of which:

- €26.5 million corresponds to the medium-term bank loan put in place to finance the public stock buyback tender offer for 20% of the company's share capital, carried out in May 2007. The first two contractual repayments of €3.8 million each were made on June 30, 2010, and on December 31, 2010. In addition, and at its own initiative, the company repaid €10 million on December 31, 2010, in advance of the scheduled date, this amount being deducted from the contractual half-yearly installments payable in 2011 (leaving a balance outstanding of only €0.6 million on December 31, 2011). The company also made another early repayment of €3.8 million on June 30, 2011, in compliance with the contractual excess cash flow clause;
- €1.8 million corresponds to interest-free repayable government advances to finance R&D programs.

Consequently, the net cash position is positive at €2.8 million at June 30, 2011 (versus net financial debt of €2.4 million at December 31, 2010, and €29.4 million at June 30, 2010). The improvement therefore represents €5.2 million for the first-half and €32.2 million for the last twelve-month period.

Further, given the improvement in the company's financial ratios, the margin on interest due on the medium-term loan has been reduced from 1.85% in 2010 to 0.95% as at January 1, 2011, in accordance with the loan contract (*see chapter 10.1 of the notes to this report*).

In light of the cash surplus it now holds, the company decided not to renew the cash credit facilities totaling €14 million that expired in June 2011.

3. SHARE CAPITAL – OWNERSHIP – SHARE PRICE PERFORMANCE

Change in Share Capital

At June 30, 2011, share capital totaled €28,017,538.20, divided into 28,884,060 shares with a par value of €0.97. It was €27,644,043.58, divided into 28,499,014 shares, at December 31, 2010.

Share capital has increased by 385,046 shares since January 1, 2011, resulting from the exercise of stock options (€373,494.62 par value together with total additional paid-in capital of €1,414,022.12).

On April 18, 2011, Société Financière de l'Echiquier (France), on behalf of investment funds managed by it, reported that it had fallen below the threshold of 10% of the company's voting rights, and that it held 10.16% of the capital stock and 9.99% of the voting rights. On June 8, 2011, it reported that it had increased its holding of voting rights above the 10% threshold, and that it held 10.21% of the capital stock and 10.04% of the voting rights at that date.

No other crossing of share ownership reporting thresholds has been reported to the company since January 1, 2011.

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

- André Harari and Daniel Harari, who together hold 38.5% of the capital and 38% of voting rights;
- Société Financière de l'Echiquier and Delta Lloyd Asset Management N.V. (Netherlands) which each, on behalf of investment funds managed by them, hold more than 10% (but less than 15%) of the capital and voting rights.

Stock Options Granted

On June 9, 2011, the Board of Directors granted 247,267 options, at an exercise price of €6.25 per share to 67 beneficiaries in respect of the achievement of their annual performance targets set for 2010. These grants are consistent with the Board's undertaking at the time of the granting of the 2010 stock option plan.

Under the 2011 plan, the Board of Directors granted 188,460 options to 100 beneficiaries at an exercise price of €6.25 per share, and an undertaking has been given to grant a maximum of 461,700 options to 85 beneficiaries upon the condition of achievement of their annual performance targets for 2011. The final number and exercise price of the options corresponding to this undertaking will be set by the Board of Directors at the time of granting in 2012, and the exercise price will, under no circumstances, be less than €6.25.

All beneficiaries of the options granted are Group employees. The two corporate executive officers, André Harari and Daniel Harari, have not received any stock options since 2000.

Treasury Shares

At June 30, 2011, the company held 0.3% of its own shares in treasury shares, solely within the framework of the Liquidity Agreement managed by SG Securities (Société Générale).

Share Price Performance and Trading Volumes

After rising sharply (+86%) in 2010, following two years of substantial falls, Lectra's share price continued to rise in the first-half. The company's share price at June 30, 2011, was €5.80, up 38% compared to December 31, 2010 (€4.19). The CAC 40 index and the CAC Mid&Small index rose by 5% and 6% respectively, over the same period. The share price recorded a low of €4.12 on January 3 and a high of €6.81 on April 7.

Trading volumes continued to strongly progress. According to Euronext figures, the number of shares traded (4.9 million) has more than doubled, and trading volumes (€28.1 million) have increased five-fold, compared to the same period in 2010.

4. POST-CLOSING EVENTS

No significant event has occurred since June 30, 2011.

5. FINANCIAL CALENDAR

The Q3 financial results for 2011 will be published on October 27, after close of trading on NYSE Euronext.

6. BUSINESS TRENDS AND OUTLOOK

The company discussed in detail its expectations regarding its activities and the outlook for the future in its Management Discussion of February 10, 2011, and in its 2010 Annual Report, both of which serve as a reference.

While the macroeconomic environment has confirmed its progressive improvement since the start of 2011, it has still not reverted to pre-crisis levels yet. Global economic conditions were marked by the consequences of the tragic disasters in Japan and the geopolitical crises in certain North African and Middle Eastern countries on the one hand, and by the rising concern over sovereign debt in the United States and certain European countries.

The recovery remains fragile, therefore, risks and uncertainties have increased, and a further deterioration in the economic and monetary situation remains possible, demanding continuing caution and vigilance.

Sales activity and earnings for first-half 2011 are generally in line with company expectations, confirming the strengthening of its operating ratios and its balance sheet. The order backlog is still strong. However, the situation remains disparate across the different regions and market sectors, and the combined activity of all Lectra customers has yet to recover its 2007 level.

On February 10, 2011, the company adopted as its central scenario for 2011, assuming that the economic recovery continued at its pace of the preceding months, revenues of around €207 million, and income from operations before non-recurring items of approximately €28.5 million, thus generating an operating margin before non-recurring items of close to 14% and a net income of close to €18 million.

These figures were based on an average parity of $1.35/€1.

Assuming that the average parity for second-half 2011 is $1.45 / €1, the currency effect alone would, for the full fiscal year, mechanically reduce revenues by € 4 million, income from operations by €2.3 million, and the operating margin by 1 percentage point, bringing these respectively to around €203 million, €26 million, and 13%. Like-for-like increases relative to 2010, of 10%, 30% and 2 percentage points, respectively, would remain unchanged. Net income would be reduced by €1.5 million and close to €16.5 million (+ 16% at actual exchange rates relative to the 2010 figure restated for non-recurring items). Finally, free cash flow would work out to around €14 million.

As of the date of publication, the February 10 central scenario, as updated by the sole impact of exchange rates fluctuations, remains the most likely.

Under this updated hypothesis, therefore, revenues would still lag behind the 2007 figure by €14 million (–6%), but income from operations, on the other hand, would be multiplied by 2.3, testifying to the improvement in the company’s key operating ratios in the midst of the crisis.

2011 will also be the year in which net cash becomes positive again, of approximately €8 million at year-end, whereas net financial borrowings peaked at €56.4 million at the end of 2008. Moreover, receipt of the €10.8 million outstanding in respect of the damages awarded to the company by the international arbitral tribunal would strengthen the company’s financial position correspondingly. The company’s present aim is to pursue its policy of paying dividends to its shareholders and to preserve its cash in order to finance its organic growth.

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

The Board of Directors

July 28, 2011

Company Certification of the First-Half 2011 Report

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

Paris, July 28, 2011

Daniel Harari	Jérôme Viala
Chief Executive Officer	Chief Financial Officer

Consolidated statement of financial position

ASSETS (in thousands of euros)	As at June 30, 2011	As at December 31, 2010	As at June 30, 2010
Goodwill	30,371	30,999	37,753
Other intangible assets	5,244	5,452	5,793
Property, plant and equipment	10,810	11,066	11,886
Non-current financial assets	1,627	1,700	1,553
Deferred tax assets	10,909	12,938	15,706
Total non-current assets	58,961	62,155	72,691
Inventories	21,633	19,336	18,854
Trade accounts receivable	36,923	43,862	38,994
Current income tax receivable	9,580	6,918	3,774
Other current assets	7,794	4,674	12,130
Cash and cash equivalents	31,035	30,174	17,060
Total current assets	106,965	104,964	90,812
Total assets	165,926	167,119	163,503

EQUITY AND LIABILITIES (in thousands of euros)	As at June 30, 2011	As at December 31, 2010	As at June 30, 2010
Share capital	28,018	27,644	27,641
Share premium	2,453	1,039	1,033
Treasury shares	(446)	(386)	(1,278)
Currency translation adjustment	(9,130)	(8,877)	(9,229)
Retained earnings and net income	26,982	22,612	10,464
Total equity	47,876	42,032	28,630
Retirement benefit obligations	4,108	4,124	4,008
Borrowings, non-current portion	21,936	27,694	36,851
Total non-current liabilities	26,044	31,818	40,859
Trade and other current payables	47,417	49,120	48,037
Deferred revenues	33,543	35,835	33,891
Current income tax liabilities	1,327	537	208
Borrowings, current portion	6,336	4,905	9,625
Provisions for other liabilities and charges	3,383	2,872	2,253
Total current liabilities	92,006	93,269	94,014
Total equity and liabilities	165,926	167,119	163,503

Consolidated income statement

(in thousands of euros)	Three months ended June 30, 2011	Six months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2010
Revenues	52,352	102,129	48,871	91,833
Cost of goods sold	(15,805)	(30,228)	(13,538)	(25,691)
Gross profit	36,547	71,901	35,333	66,142
Research and development	(3,082)	(6,019)	(2,594)	(5,121)
Selling, general and administrative expenses	(26,046)	(53,001)	(27,383)	(52,680)
Income (loss) from operations	7,419	12,881	5,356	8,341
Financial income	160	268	74	104
Financial expenses	(624)	(1,192)	(881)	(1,866)
Foreign exchange income (loss)	(141)	112	(710)	(656)
Income (loss) before tax	6,814	12,069	3,839	5,923
Income tax	(1,690)	(3,277)	(1,108)	(1,569)
Net income (loss)	5,124	8,792	2,731	4,354

(in euros)				
Earnings per share				
- basic	0.18	0.31	0.10	0.16
- diluted	0.17	0.30	0.10	0.16
Shares used in calculating earnings per share				
- basic	28,749,907	28,611,406	28,048,678	28,048,682
- diluted	29,513,192	29,315,615	28,048,678	28,048,682

Statement of comprehensive income

(in thousands of euros)	Three months ended June 30, 2011	Six months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2010
Net income (loss)	5,124	8,792	2,731	4,354
Currency translation adjustment	(79)	(253)	(302)	(644)
Effective portion of the change in fair value of currency hedges	-	-	(186)	(200)
Effective portion of the change in fair value of interest-rate swaps	222	635	321	349
Tax effect on the comprehensive income items	(74)	(212)	(45)	(50)
Comprehensive income (loss)	5,193	8,962	2,520	3,809

Consolidated statement of cash flows

(in thousands of euros)	Six months ended June 30, 2011	Six months ended June 30, 2010
I - OPERATING ACTIVITIES		
Net income (loss)	8,792	4,354
Depreciation and amortization	1,837	3,309
Non-cash operating expenses	302	101
Loss (profit) on sale of fixed assets	(9)	(29)
Changes in deferred income taxes, net value	1,608	503
Changes in inventories	(1,321)	(995)
Changes in trade accounts receivable	4,689	2,540
Changes in other current assets and liabilities	(6,123)	9,755
Net cash provided by (used in) operating activities	9,775	19,538
II - INVESTING ACTIVITIES		
Purchases of intangible assets	(615)	(543)
Purchases of property, plant and equipment	(1,021)	(395)
Proceeds from sales of intangible assets and property, plant and equipment	98	128
Purchases of financial assets	(336)	(154)
Proceeds from sales of financial assets	449	269
Net cash provided by (used in) investing activities	(1,425)	(695)
III - FINANCING ACTIVITIES		
Proceeds from issuance of ordinary shares	1,788	-
Dividends paid	(5,164)	-
Purchases of treasury shares	(516)	(149)
Sales of treasury shares	848	149
Proceeds from long term and short term borrowings	-	400
Repayments of long term and short term borrowings	(4,320)	(3,914)
Net cash provided by (used in) financing activities	(7,364)	(3,514)
Increase (decrease) in cash and cash equivalents	986	15,329
Cash and cash equivalents at the opening [(1)]	30,174	2,149
Increase (decrease) in cash and cash equivalents	986	15,329
Effect of changes in foreign exchange rates	(125)	(418)
Cash and cash equivalents at the closing	31,035	17,060
Free cash flow before non-recurring items	9,253	19,354
Non-recurring items of the free cash flow	(903)	(511)
Free cash flow	8,350	18,843
Income tax paid (reimbursed) [(2)]	(70)	(159)
Interest paid	860	1,476

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

(2) This amount does not include repayments of (French) research tax credit

Consolidated statement of changes in equity

(in thousands of euros, except for par value per share expressed in euros)	Share capital			Share premium	Treasury shares	Currency translation adjustment	Retained earnings and net income	Equity
	Number of shares	Par value per share	Total par value					
Balances at January 1, 2010	28,495,514	0.97	27,641	1,033	(1,439)	(8,585)	6,039	24,689
Net income (loss)							4,354	4,354
Other comprehensive income (loss)						(644)	99	(545)
Comprehensive income (loss)						(644)	4,453	3,809
Fair value of stock options							79	79
Sale (purchase) of treasury shares					161			161
Profit (loss) on treasury shares							(107)	(107)
Balances at June 30, 2010	28,495,514	0.97	27,641	1,033	(1,278)	(9,229)	10,464	28,630
Balances at January 1, 2010	28,495,514	0.97	27,641	1,033	(1,439)	(8,585)	6,039	24,689
Net income (loss)							15,647	15,647
Other comprehensive income (loss)						(292)	682	390
Comprehensive income (loss)						(292)	16,329	16,037
Exercised stock options	3,500	0.97	3	5				9
Fair value of stock options							193	193
Sale (purchase) of treasury shares					1,053			1,053
Profit (loss) on treasury shares							51	51
Balances at December 31, 2010	28,499,014	0.97	27,644	1,039	(386)	(8,877)	22,612	42,032
Net income (loss)							8,792	8,792
Other comprehensive income (loss)						(253)	423	170
Comprehensive income (loss)						(253)	9,215	8,962
Exercised stock options	385,046	0.97	373	1,414				1,788
Fair value of stock options							58	58
Sale (purchase) of treasury shares					(60)			(60)
Profit (loss) on treasury shares							261	261
Dividends paid							(5,164)	(5,164)
Balances at June 30, 2011	28,884,060	0.97	28,018	2,453	(446)	(9,130)	26,982	47,876

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT JUNE 30, 2011

1. BUSINESS ACTIVITY

Lectra was established in 1973 and has been listed on NYSE Euronext (compartment C) since 1987. Lectra is the world leader in software, CAD/CAM equipment and related services dedicated to large-scale users of textiles, leather and industrial fabrics. Lectra addresses a broad array of major global markets, including fashion (apparel, accessories, and footwear), automotive (car seats and interiors, airbags), and furniture, as well as a wide variety of other industries, such as the aeronautical and marine industries, wind turbines, personal protective equipment, etc.

The company's technology offering is geared to the specific needs of each market, enabling its customers to design, develop and manufacture their products (garments, seats, airbags, etc.). For the fashion industry, Lectra's software applications also enable the management of collections and cover the entire product lifecycle (Product Lifecycle Management, or PLM). Lectra forges long-term relationships with its customers and provides them with full-line, innovative solutions.

The Group's customers comprise large national and international corporations and medium-sized companies. Lectra helps them to overcome their major strategic challenges: e.g., cutting costs and boosting productivity; reducing time-to-market; dealing with globalization; developing secure electronic communications across the supply chain; enhancing quality; satisfying the demand for mass-customization; and monitoring and developing their corporate image and brands. The Group markets end-to-end solutions comprising the sale of software, CAD/CAM equipment and associated services (technical maintenance, support, training, consulting, sales of consumables and spare parts).

With the exception of certain products for which the company has formed long-term strategic partnerships, all Lectra software and equipment is designed and developed in-house. Equipment is assembled from sub-elements produced by an international network of subcontractors, and tested in the company's main industrial facilities in Bordeaux–Cestas (France) where most of Lectra's R&D is performed.

Lectra's strength lies in the skills and experience of its nearly 1,350 employees worldwide, encompassing expert R&D, technical and sales teams with deep knowledge of its customers' businesses.

The Group has been present worldwide since the mid-1980s. Based in France, the company serves 23,000 customers in more than 100 countries through its extensive network of 30 sales and services subsidiaries, which are backed by agents and distributors in some regions. Thanks to this unrivalled network, Lectra generated 92% of its revenues directly in 2010. Its five International Call Centers, at Bordeaux–Cestas (France), Madrid (Spain), Milan (Italy), Atlanta (U.S.A.) and Shanghai (China) cover Europe, North America and Asia. All of the company's technologies are showcased in its International Advanced Technology & Conference Center at Bordeaux–Cestas (France) for Europe and international visitors, and its two International Advanced Technology Centers at Atlanta (U.S.A.) for North and South America, and Shanghai (China) for Asia and the Pacific. Lectra is geographically close to its customers wherever they are, with nearly 750 employees dedicated to marketing, sales and services. It employs 210 engineers dedicated to R&D, and 160 employees in industrial purchasing, assembly and testing of CAD/CAM equipment, and logistics.

Business Model

Lectra's business model comprises two types of revenue streams:

- revenues from new systems sales (new software licenses and CAD/CAM equipment, and related services), the company's growth driver;
- recurring revenues, consisting partly of recurring contracts (e.g., software evolution, CAD/CAM equipment maintenance and on-line support contracts), and partly of other statistically recurring revenues generated by the installed base (sales of spare parts and consumables, and per-call maintenance and support interventions). These recurring revenues are a key factor in the company's stability, acting as a cushion in periods of slow overall economic growth.

In addition, the business model is geared to generating free cash flow in excess of net income assuming utilization or receipt of the annual research tax credit applicable in France.

2. SUMMARY OF ACCOUNTING RULES AND METHODS

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

http://ec.europa.eu/internal_market/accounting/ias/index_en.htm

The condensed consolidated financial statements at June 30, 2011 have been prepared in accordance with IAS 34 – Interim Financial Statements. They do not comprise all of the financial disclosures required in the complete annual financial statements and should be read in conjunction with the Group's consolidated financial statements and attached notes for the fiscal year 2010, available on the company's website (www.lectra.com).

They have been prepared in accordance with the same rules and methods as those applied in the preparation of the 2010 financial statements. They have been prepared under the responsibility of the Board of Directors at its meeting of July 28, 2011. They have been the subject of a limited review by the Statutory Auditors; the second quarter financial statements have not been reviewed separately.

The standards and interpretations adopted by the European Union as of January 1, 2011 had no impact on the Group's financial statements, i.e.:

- IAS 24 – Related party disclosures;
- IAS 32 amendment – Classification of rights issues;
- IFRS 1 amendment – Limited exemption from comparative IFRS 7 disclosures for first-time adopters;
- Annual improvements to IFRS 2010;
- IFRIC 19 – Extinguishing financial liabilities with equity instruments;
- IFRIC 14 amendment – Prepayments of a minimum funding requirement.

The Group has not adopted, before they became mandatory, any standards or interpretations whose application is not required for fiscal years starting January 1, 2011. It does not expect their adoption to have a material impact on the financial statements.

Comparability of the Group's interim and annual accounts may be affected by the slightly seasonal nature of the Group's business, which mostly achieves a higher level of revenues during the fourth quarter of the year. This notably applies to sales of new software licenses and CAD/CAM equipment. Moreover, overhead costs are reduced during the third quarter due to the summer holidays in France

and in European subsidiaries. These two items have a positive impact on the income from operations of those quarters.

Comparisons identified as "like-for-like" correspond to 2011 figures restated at 2010 exchange rates, in comparison with actual data for 2010.

Critical Accounting Estimates and Judgments

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

The areas involving a higher degree of judgment or complexity, or requiring material assumptions and estimates in relation to the consolidated financial statements, concern goodwill impairment and deferred taxation. The Group has reviewed its cash generating units (CGU) and has found no indication of any impairment of assets.

Revenues

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

For hardware, or for software in cases where the company also sells the computer equipment on which the software is installed, these conditions are fulfilled upon physical transfer of the hardware in accordance with the contractual sale terms.

For software not sold with the hardware on which it is installed, these conditions are generally fulfilled at the time of installation of the software on the customer's computer (either by CD-Rom or downloading).

Revenues from software evolution contracts and recurring services contracts are booked monthly over the duration of the contracts.

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

Cost of Goods Sold

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

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

Research and Development

The technical feasibility of software and hardware developed by the Group is generally not established until a prototype has been produced or until feedback is received from its pilot sites, conditioning their commercialization. Consequently, the technical and economic criteria that render the recognition of R&D costs in assets at the moment they occur are not met, and R&D costs are therefore expensed in the year in which they are incurred.

The (French) research tax credit *(crédit d'impôt recherche)* as well as grants linked to R&D projects, if any, are deducted from R&D expenses.

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.

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

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

Borrowings and Financial Debt

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

- interest-bearing bank loans;
- non-interest bearing reimbursable advances corresponding to R&D grants.

The current portion of borrowings and financial debt comprises:

- the portion of bank loans, reimbursable advances and other borrowings and financial debt due in less than one year;
- cash facilities, where applicable.

Borrowings and financial debts are recognized initially at fair value.

At balance sheet date, borrowings and financial debt are stated at amortized cost using the effective interest rate method, defined as the rate whereby cash received equals the total cash flows relating to the servicing of the borrowing. Interest expenses on the bank loans and on the utilization of cash credit facilities are recognized as financial expenses in the income statement.

Free Cash Flow

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

Operating segments

Operating segment reporting is based directly on the company'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 company's "chief operating decision maker".

Operating segments refer primarily to the marketing regions in the sense of the regions whose performance is reviewed by the Executive Committee. The regions concerned are: the "Americas", "Europe", "Asia-Pacific", and the "Rest of the World", where the company operates chiefly in Northern Africa, South Africa, Turkey, Israel, and the Middle East. These regions are involved in sales and the provision of services to their customers. They do not perform any industrial activities or R&D. They draw on centralized competencies and a wide array of functions that are pooled among all of the regions, including marketing, communication, logistics, procurement, finance, legal affairs, human resources, 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 value added supplied by the Corporate segment. Consequently, for products or services supplied in full or in part by the Corporate segment, a percentage of consolidated gross profit is retained in the income computed for the Corporate segment sufficient to cover its costs. Because the Corporate segment's general overheads are mainly fixed costs, its gross profit and consequently its income from operations therefore depend mainly on the volume of business billed by these regions.

3. SCOPE OF CONSOLIDATION

At June 30, 2011, the Group's scope of consolidation comprised Lectra S.A. together with 25 fully-consolidated companies.

There were no changes in the scope of consolidation during the first-half 2011.

Five sales and service subsidiaries are not consolidated, their revenues being immaterial both separately and in the aggregate. At June 30, 2011, their combined revenues totaled €0.8 million, and their combined assets in their statement of financial position totaled €2 million. They had no non-Group financial debt. Most of these subsidiaries' sales activity is billed directly by the parent company, Lectra SA.

Transactions with these related parties mainly refer to purchases from the parent for the purposes of their local activity, or to expenses and commissions billed to the parent in order to cover their operating costs when acting as an agent. The amount concerned by these transactions was not material in the first half of 2011.

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

4.1 Q2 2011

	Three Months Ended June 30				
	2011		2010	Changes 2011/2010	
(in thousands of euros)	Actual	At 2010 exchange rates	Actual	Actual	Like-for-like
Revenues	52,353	54,916	48,871	+7%	+12%
Cost of goods sold	(15,806)	(16,050)	(13,538)	+17%	+19%
Gross profit	36,547	38,866	35,333	+3%	+10%
(in % of revenues)	69.8%	70.8%	72.3%	-2,5 points	-1,5 point
Research and development	(3,082)	(3,082)	(2,594)	+19%	+19%
Selling, general and administrative expenses	(26,045)	(26,781)	(27,383)	-5%	-2%
Income (loss) from operations	7,420	9,003	5,356	+39%	+68%
(in % of revenues)	14.2%	16.4%	11.0%	+3,2 points	+5,4 points
Profit (loss) before tax	6,814	8,399	3,839	+77%	+119%
Income tax	(1,690)	na	(1,108)	+53%	na
Net income (loss)	5,124	na	2,731	+88%	na

4.2 First-Half 2011

	Six Months Ended June 30				
	2011		2010	Changes 2011/2010	
(in thousands of euros)	Actual	At 2010 exchange rates	Actual	Actual	Like-for-like
Revenues	102,129	104,069	91,833	+11%	+13%
Cost of goods sold	(30,228)	(30,360)	(25,691)	+18%	+18%
Gross profit	71,901	73,709	66,142	+9%	+11%
(in % of revenues)	70.4%	70.8%	72.0%	-1,6 point	-1,2 point
Research and development	(6,019)	(6,019)	(5,121)	+18%	+18%
Selling, general and administrative expenses	(53,001)	(53,398)	(52,680)	+1%	+1%
Income (loss) from operations	12,881	14,292	8,341	+54%	+71%
(in % of revenues)	12.6%	13.7%	9.1%	+3,5 points	+4,6 points
Profit (loss) before tax	12,069	13,481	5,923	+104%	+128%
Income tax	(3,277)	na	(1,569)	+109%	na
Net income (loss)	8,792	na	4,354	+102%	na

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

5.1 Q2 2011

(in thousands of euros)	Three Months Ended June 30						
	2011			2010		Changes 2011/2010	
	Actual	%	At 2010 exchange rates	Actual	%	Actual	Like-for-like
Europe, of which :	25,318	48%	25,343	24,099	49%	+5%	+5%
- France	5,771	11%	5,771	4,642	9%	+24%	+24%
Americas	9,930	19%	11,114	10,417	21%	-5%	+7%
Asia-Pacific	13,910	27%	15,224	11,033	23%	+26%	+38%
Other countries	3,195	6%	3,235	3,323	7%	-4%	-3%
Total	52,353	100%	54,916	48,872	100%	+7%	+12%

Revenues by product line

(in thousands of euros)	Three Months Ended June 30						
	2011			2010		Changes 2011/2010	
	Actual	%	At 2010 exchange rates	Actual	%	Actual	Like-for-like
Software, of which :	13,884	27%	14,402	13,941	29%	0%	+3%
- New licenses	6,608	13%	6,923	6,400	13%	+3%	+8%
- Software evolution contracts	7,276	14%	7,479	7,541	16%	-4%	-1%
CAD/CAM equipment	16,433	31%	17,754	13,219	27%	+24%	+34%
Hardware maintenance and on-line services	8,559	16%	8,806	9,117	19%	-6%	-3%
Spare parts and consumables	10,990	21%	11,411	10,109	21%	+9%	+13%
Training and consulting services	2,349	4%	2,403	2,334	5%	+1%	+3%
Miscellaneous	138	0%	140	152	0%	-9%	-7%
Total	52,353	100%	54,916	48,872	100%	+7%	+12%

Breakdown of revenues between new systems sales and recurring revenues

(in thousands of euros)	Three Months Ended June 30						
	2011			2010		Changes 2011/2010	
	Actual	%	At 2010 exchange rates	Actual	%	Actual	Like-for-like
Revenues from new systems sales (1)	25,527	49%	27,220	22,104	45%	+15%	+23%
Recurring revenues (2), of which :	26,826	51%	27,696	26,768	55%	0%	+3%
- Recurring contracts	15,354	29%	15,794	16,192	33%	-5%	-2%
- Other recurring revenues on the installed base	11,472	22%	11,902	10,576	22%	+8%	+13%
Total	52,353	100%	54,916	48,872	100%	+7%	+12%

(1) *Revenues from sales of new systems comprise sales of new software licenses, CAD/CAM equipment, PC's and peripherals, and related services.*

(2) *Recurring revenues fall into two categories :*

- software evolution, hardware maintenance and online support contracts, which are renewable annually,

- revenues from sales of spare parts and consumables, and one-off interventions, on the installed base, which are statistically recurrent.

5.2 First-Half 2011

(in thousands of euros)	Six Months Ended June 30						
	2011			2010		Changes 2011/2010	
	Actual	%	At 2010 exchange rates	Actual	%	Actual	Like-for-like
Europe, of which :	51,816	51%	51,696	47,338	52%	+9%	+9%
- France	10,877	11%	10,877	9,410	10%	+16%	+16%
Americas	19,993	20%	21,036	20,249	22%	-1%	+4%
Asia-Pacific	24,764	24%	25,773	18,819	20%	+32%	+37%
Other countries	5,556	5%	5,564	5,427	6%	+2%	+3%
Total	102,129	100%	104,069	91,833	100%	+11%	+13%

Revenues by product line

(in thousands of euros)	Six Months Ended June 30						
	2011			2010		Changes 2011/2010	
	Actual	%	At 2010 exchange rates	Actual	%	Actual	Like-for-like
Software, of which :	28,046	27%	28,391	26,601	29%	+5%	+7%
- New licenses	13,446	13%	13,696	11,799	13%	+14%	+16%
- Software evolution contracts	14,600	14%	14,695	14,802	16%	-1%	-1%
CAD/CAM equipment	30,471	30%	31,689	23,610	26%	+29%	+34%
Hardware maintenance and on-line services	17,176	17%	17,266	17,960	20%	-4%	-4%
Spare parts and consumables	21,354	21%	21,622	19,074	21%	+12%	+13%
Training and consulting services	4,838	5%	4,856	4,276	5%	+13%	+14%
Miscellaneous	244	0%	245	312	0%	-22%	-22%
Total	102,129	100%	104,069	91,833	100%	+11%	+13%

Breakdown of revenues between new systems sales and recurring revenues

(in thousands of euros)	Six Months Ended June 30						
	2011			2010		Changes 2011/2010	
	Actual	%	At 2010 exchange rates	Actual	%	Actual	Like-for-like
Revenues from new systems sales [1]	49,001	48%	50,486	39,997	44%	+23%	+26%
Recurring revenues [2], of which :	53,128	52%	53,583	51,836	56%	+2%	+3%
- Recurring contracts	30,889	30%	31,074	31,850	35%	-3%	-2%
- Other recurring revenues on the installed base	22,239	22%	22,510	19,986	22%	+11%	+13%
Total	102,129	100%	104,069	91,833	100%	+11%	+13%

[1] *Revenues from sales of new systems comprise sales of new software licenses, CAD/CAM equipment, PC's and peripherals, and related services.*

[2] *Recurring revenues fall into two categories :*

- software evolution, hardware maintenance and online support contracts, which are renewable annually,

- revenues from sales of spare parts and consumables, and one-off interventions, on the installed base, which are statistically recurrent.

Breakdown of revenues from new systems sales by market sector

(in thousands of euros)	Six Months Ended June 30 2011 Actual	2011 %	2011 At 2010 exchange rates	2010 Actual	2010 %	Changes 2011/2010 Actual	Changes 2011/2010 Like-for-like
Fashion (apparel, accessories, footwear)	29,808	61%	30,417	22,251	56%	+34%	+37%
Automotive	13,994	29%	14,764	9,535	24%	+47%	+55%
Furniture	2,531	5%	2,509	2,799	7%	-10%	-10%
Other industries	2,668	5%	2,796	5,412	14%	-51%	-48%
Total	49,001	100%	50,486	39,997	100%	+23%	+26%

6. OPERATING SEGMENT INFORMATION

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

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

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

7. CONSOLIDATED CASH FLOW SUMMARY

(in millions of euros)	Cash and cash equivalent	Financial debts	Net cash (+) Net debt (–)
Free cash flow before non-recurring items	9.3	-	9.3
Non-recurring items included in free cash flow	(0.9)	-	(0.9)
Proceeds from issuance of ordinary shares [(1)]	1.8	-	1.8
Sale and purchase of treasury shares [(2)]	0.3	-	0.3
Dividends paid	(5.2)	-	(5.2)
Change in borrowings	(4.3)	4.3	-
Impact of currency variations - other	(0.1)	-	(0.1)
Change in cash position for the period	0.9	4.3	5.2
Cash and cash equivalents at December 31, 2010	30.2	(32.6)	(2.4)
Cash and cash equivalents at June 30, 2011	31.0	(28.3)	2.8
Change in cash position for the period	0.9	4.3	5.2

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

(2) Carried out solely under the Liquidity Agreement administered by SG Securities (Société Générale) in the framework of the stock buyback program approved by the April 30, 2010 and April 29, 2011 General Shareholders’ Meetings.

Free cash flow at June 30, 2011 amounts to €8.4 million.

Excluding the disbursements of non-recurring items (corresponding to the costs of restructuring measures deployed at the end of last year and provisioned in the 2010 financial statements), free cash flow was €9.3 million. This figure results from a combination of €10.7 million in cash flows provided by

operating activities (out of which an increase in working capital requirement of €1.9 million) and of €1.4 million in capital expenditures.

The main variations are:

- +€1.3 million corresponding to an increase in inventories, due to the steep increase in revenues from CAD/CAM equipment and spare parts and consumables;
- −€4.7 million corresponding to a new decrease in customer accounts receivable, although revenues have risen;
- −€3.6 million corresponding to an increase in trade accounts payable as a result of the sharp rise in volumes purchased for the production of CAD/CAM equipment and spare parts and consumables;
- +€2.7 million arising from the research tax credit for the quarter, recognized but not received;
- +€3.9 million arising from payment in the first quarter of the variable portion of salaries for the Group and of the incentive plan of the parent company Lectra SA (*prime d'intéressement)* in respect of fiscal 2010.

The total increase in working capital requirement, including €0.9 million of non-recurring items, amounted to €2.8 million.

As approved by the Shareholders' Meeting of April 29, 2011, the company declared a dividend of €0.18 per share in respect of fiscal year 2010, representing a total amount of €5.2 million, which was paid on May 10, 2011.

8. LITIGATION WITH INDUYCO PENDING

See note 23 to the 2010 consolidated financial statements for a detailed discussion of this dispute.

In its ruling on October 21, 2009, the International Court of Arbitration awarded Lectra €25.9 million (as of June 30, 2011)

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

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

- award on the merits: €15.1 million (plus interest since June 30, 2005 and post-award interest until payment),
- award as costs: €6.6 million (plus post-award interest from the time of the decision until payment).

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

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

In view of Induyco's persistent refusal to pay the outstanding €10.8 million still due, Lectra commenced an action of exequatur before the Madrid Court of First Instance at the end of December

2010, in order to enforce in Spain the arbitral award and recover the remaining amounts owed by Induyco.

In its decision of exequatur issued on June 27, 2011, the Madrid Court of First Instance recognized the arbitral award rendered against Induyco in October 2009 by the International Arbitral Tribunal. The Madrid Court of First Instance has thus recognized the award is valid and enforceable in Spain and rejected Induyco's challenge to exequatur.

The decision just rendered by the Madrid Court of First Instance, against which Induyco has appealed, represents a major milestone in the settlement of this dispute. It reinforces Lectra in its commitment to vigorously enforce its rights and to recover the full amount due to it under the award.

The Company Has Recognized Only €15.1 Million of the Full Amount of the €25.9 Million Arbitral Award

In the 2010 consolidated financial statements, the receipt of €15.1 million resulted in a €6.1 million reduction in goodwill and a net non-recurring gain of €3.3 million resulting from a non-recurring gain of €9 million less legal costs (€5.7 million) previously recognized in other current assets.

Induyco having appealed the June 27, 2011 decision, this decision does not modify the accounting of the award in the company's financial statements: the balance (€10.8 million) of the total amount of the award (€25.9 million) was not recorded in the financial statements and will only be recorded upon its receipt.

As all of the costs incurred by Lectra have already been paid, execution of the arbitral decision will result in a cash inflow equal to the balance of the award still owed by Induyco.

9. TREASURY SHARES

Under the Liquidity Agreement administered by SG Securities (Paris), during first half of 2011, the company purchased 88,279 shares and sold 158,541 shares at an average purchase price of €5.85 and €5.35 respectively.

Consequently, at June 30, 2011, the company held 73,478 Lectra shares (or 0.3% of share capital) with an average purchase price of €6.07 entirely under the Liquidity Agreement.

10. BANK BORROWINGS AND LIQUIDITY

10.1 Medium-term Bank Loan of €48 million

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

The first two half-yearly installments of €3.8 million each were repaid on June 30 and December 31, 2010. Additionally, and in light of its sharply improved cash position in the course of 2010, the company made a voluntary repayment of €10 million on December 31, 2010, ahead of the scheduled repayment date. This voluntary repayment replaced the contractual half-yearly installments due in respect of 2011, which are consequently reduced to €0.6 million at December 31, 2011.

A supplemental repayment of €3.8 million took place on June 30, 2011 pursuant to the excess cash flow clause in the loan contract, in virtue of the sharp increase in cash and cash equivalents as at December 31, 2010.

The balance outstanding on the loan, i.e. €25.9 million, is repayable in four half-yearly installments as from June 30, 2012—the first two for €5.3 million each (on June 30 and December 31, 2012), the following one for €9.6 million (June 30, 2013) and the last one for €5.8 million (on December 31,

2013). Repayments may be scheduled to accelerate relative to this timetable, under the terms of the contract, depending on the increase of cash and cash equivalents at December 31, 2011.

Moreover, the contract provides for accelerated repayment of the portion actually collected of the arbitral award against Induyco. The receipt of €15.1 million in 2010 has not given rise to early repayment, the threshold above which this clause applies not having been reached in regard to the aggregate legal fees and costs incurred by Lectra since the start of the proceedings, these being deducted from the indemnity received for the purpose of calculating a repayment, if applicable. On the other hand, receipt of the balance of the arbitral award (€10.8 million) still owed by Induyco will give rise to early repayment amounting to almost 50% of the total amount to be received.

The repayment dates of the borrowing used in the table in note 10.2 are the contractual payment dates, at the latest without taking into account the accelerated repayments under the various contract clauses concerned.

Further, the company is bound during the period of the loan to respect at December 31 of each year the covenants governing the ratios between its net financial borrowing and shareholders' equity ("gearing") on the one hand, and between net financial borrowing and EBITDA ("leverage") on the other. A loan covenant provides for early repayment of the loan in its entirety in the event of failure to comply with these ratios; in that event the company would recontact its banks in order to come to a satisfactory arrangement.

The ratios to be respected at December 31 of each year until the maturity of this loan are as follows:

	2011	2012
Leverage	< 1.7	< 1.7
Gearing	< 1	< 1

The ratio of net financial borrowing to shareholders' equity (gearing) and the leverage ratio were both equal to 0.1 for fiscal year 2010. The company considers that it will be in compliance with both covenants at December 31, 2011.

At the same time, the loan contract entitles the banks to demand early repayment of the balance of the loan outstanding under a "change of control" clause in the event that one or more of the company's shareholders, acting in concert—with the exception of André Harari and/or Daniel Harari—came to hold more than 50% of the share capital and/or voting rights.

Furthermore, the company has undertaken to limit its capital expenditures to €10 million per year and the dividends distributed to 50% of the consolidated net income for the year elapsed, subject to certain conditions (if less than 50% of consolidated net income for a given year has been distributed, the difference relative to 50% may be distributed in subsequent years). Payment of the total dividend of €5.2 million in respect of fiscal 2010 is consistent with this condition.

The loan carries interest at the 3-month Euribor rate plus a margin that was set at 1.85% per year as from January 1, 2009. As provided under the contract, this margin was reduced to 0.95% per year as from January 1, 2011 given the leverage ratio of fiscal year 2010.

The company hedged in 2007 its interest-rate risk exposure on part of the loan by converting this floating rate into a fixed rate via two interest-rate swaps *(see note 11 below)*. The total effective interest rate after including the cost of the hedging instruments and amounts hedged is 5.72% in first-half 2011.

10.2 Schedule of Borrowings by Category and by Maturity

At June 30, 2011, the repayment schedule is as follows:

	Short term	Long term		
(in thousands of euros)	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Bank loan	5,840	20,640	-	26,480
Interest-free repayable advances [1]	496	1,296	-	1,792
Cash facilities	-	-	-	-
Total	6,336	21,936	-	28,272

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

10.3 Cash and Cash Equivalents and Net Cash

The €14 million in cash facilities outstanding at December 31, 2010 expired in June 2011. The company did not intend to renew these cash facilities, in light of the cash surplus available to it.

Based on cash and cash equivalents available at June 30, 2011, total liquidity available to the company amounted to €31 million. Net cash therefore totaled €2.8 million (versus net financial borrowings of €2.4 million at December 31, 2010).

11. INTEREST-RATE HEDGING INSTRUMENTS

As stated in note 10 above, the company has hedged its exposure to the interest-rate risk on part of the €48 million medium-term bank loan, converting the floating rate payable on the loan (3-month Euribor rate) into a fixed rate via two interest-rate swaps contracts. The interest-rate has been hedged on the basis of the best estimate of the amount of the loan over the different periods covered, having due regard to the contract terms.

Since the face value of these swaps remains lower than the face value of the loan, they meet the hedge accounting criteria as defined by IFRS. Their fair value at June 30, 2011 is a negative €0.5 million. The effective portion, corresponding to their full fair value, is entirely recognized in shareholders' equity. No ineffective part has been booked in net financial expenses during the first half 2011.

As at January 1, 2011, the nominal value of interest-rate swaps has been reduced to €30 million. This amount has been reduced to €18 million at July 1, 2011, and will be reduced to €13 million at January 1, 2012, and €5 million at July 1, 2012 and until December 31, 2012, when the swaps expire.

Consequently, and in the theoretical event that the 3-month Euribor rate remains identical to that at July 26, 2011 (1.62%), the total effective implied interest rate including the cost of the hedging instruments and the amounts hedged would be 4.73% in the second half of 2011, 4.18% in the first half of 2012, 3.36% in the second half of 2012, and 2.60% in 2013.

12. CURRENCY RISK

The Group's exposure to currency risks and its currency risk management policy are unchanged relative to December 31, 2010.

During the first half of 2011, the average dollar/euro parity was $1.40/€1.

Exchange Risk Hedging Instruments

Exchange risk hedging instruments at June 30, 2011 are comprised of forward sales or purchases of foreign currencies (mainly U.S. dollars, Canadian dollars, Japanese yen, and British pounds) for a net total equivalent value (sales minus purchases) of €1 million, intended to hedge existing positions.

On January 7, 2011, the company has hedged its exposure to the U.S. dollar for the first quarter of 2011 by means of forward sales at a parity of $1.29/€1. These forward sales have given rise to a €0.4 million foreign exchange gain in the Q1 2011 financial statements. The company has not hedged its exposure beyond that period.

13. SENSITIVITY ANALYSIS

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

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

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

The average parity assumed for the 2011 budget was $1.35/€1 (versus an actual parity of $1.33/€1 in 2010 and $1.40/€1 in the first half of 2011).

The average euro / dollar parity assumed for the second half is $1.45/€1. Given the estimated share of revenue and expenses denominated in dollars or in currencies correlated with the dollar, an average rise of $0.05 in the dollar against the euro (bringing the parity from $1.45/€1 to $1.40/€1) would mechanically increase second-half revenues by around €1.3 million and income from operations by €0.8 million. Conversely, a $0.05 fall in the dollar against the euro (bringing the average parity to $1.50/€1) would reduce revenues and income from operations by the same amounts. These amounts take into consideration an increase in the portion of revenues denominated in dollars compared to the company's estimates of the beginning of the year.

14. TAX AUDIT OF LECTRA SA

A tax audit has been ongoing since June 2010 at the parent company, Lectra SA, concerning fiscal years 2008 and 2009, and was completed in the first quarter of 2011. The tax arrears notified by the tax authorities to the company chiefly concern the (French) research tax credit. Their amount is not deemed material and was fully provisioned at December 31, 2010.

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STATUTORY AUDITORS' REVIEW REPORT ON THE 2011 HALF-YEAR FINANCIAL INFORMATION

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

LECTRA S.A.

16-18, rue Chalgrin
75016 Paris

To the Shareholders,

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

- the review of the accompanying condensed half-year consolidated financial statements of **Lectra SA**, for the six months ended June 30, 2011;
- the verification of the information contained in the half-year management report.

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

1. Conclusion on the financial statements

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

We have not reviewed the consolidated statement of income for the second quarter of the year 2011 and the comparative second quarter 2010 figures.

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

2. Specific verification

We have also verified the information given in the half-year management report on the condensed half-year consolidated financial statements subject to our review. At the exception of the possible impact of the fact mentioned 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, 2011

The Statutory Auditors

French original signed by

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