LECTRA

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS FOR THE SECOND QUARTER AND FIRST HALF 2020

Dear Shareholders,

We report below on Lectra Group's business activity and consolidated financial statements for the second quarter and first half of 2020, ending June 30, 2020. Financial statements for the first half have been subject to a limited review by the Statutory Auditors; statements relating solely to the second quarter have not been reviewed.

Since 2017, Lectra has marketed and invoiced its software both in the form of perpetual licenses with their associated maintenance contracts and on a subscription basis for its Software-as-a-Service (SaaS) offers.

To facilitate the comparison with prior years, the Group decided in 2018 and 2019 to include subscription software sales in the amount of orders for new systems, by multiplying the annual value of the corresponding contracts by 2.2 (a coefficient that enables the calculation of the amount an order would represent, had it been sold as a perpetual license).

As from January 1, 2020, orders for new systems are reported using two indicators: on the one hand, the value of software sold separately under perpetual software licenses, equipment and accompanying software (sold in the form of perpetual licenses) and non-recurring services; and on the other hand, the annual value of new subscriptions for software sold in SaaS mode.

Revenue corresponding to orders for perpetual software licenses is reported under "Perpetual software licenses"; revenue corresponding to embedded software is reported, as previously, under "Equipment and accompanying software." Revenue from software sold on a subscription basis is reported under "Software subscriptions."

Detailed comparisons between 2020 and 2019 are based on 2019 exchange rates ("like-for-like") unless otherwise stated. As the impact of the acquisition of Retviews (see press release dated July 15, 2019) on the financial statements for the first half of 2020 is not material, like-for-like changes exclude only the variations in exchange rates.

The detailed tables and like-for-like changes in the orders for new systems, in revenues, and in the income statements for the second quarter and first half of 2020 are provided in the additional information of this report, starting on page 7.

1. SUMMARY OF OPERATIONS FOR Q2 2020

In its Q1 financial report, published April 29, 2020, the Group had anticipated a sharp decline in revenues and in income from operations in Q2, due to the COVID-19 epidemic and its consequences, particularly the expansion of confinement measures in many countries that led to the slowdown or closure of nearly all production plants operated by Lectra's customers.

Orders for perpetual software licenses, equipment and accompanying software, and non-recurring services (15 million euros) were down 42% compared to Q2 2019. The annual value of new software subscription orders amounted to 0.3 million euros, up 30%.

Revenues came to 50.5 million euros, down 28% compared to Q2 2019.

Despite this sharp decline in revenues, income from operations and net income remained positive, largely thanks to the strength of measures implemented since March to control spending, which reduced overhead costs by 11% compared to Q2 2019, after the 2% increase in Q1.

Income from operations came to 2 million euros, down 79% like-for-like and at actual exchange rates. The operating margin was 4%, down 9.6 percentage points.

Net income amounted to 1.1 million euros, down 85% at actual exchange rates compared to Q2 2019.

Free cash flow was a negative 2.2 million euros due to lower net income and the temporary increase in working capital requirement in Q2. This compares with a positive cash flow of 2.7 million euros in Q2 2019.

2. CONSOLIDATED FINANCIAL STATEMENTS FOR FIRST HALF 2020

The COVID-19 epidemic and its consequences really marked the first half of 2020.

From the start of the crisis, the Group took the necessary hygiene and physical distancing measures to safeguard the health of employees, customers, suppliers and other stakeholders.

A remote working system was immediately put in place for all employees whose physical presence on site was not required; this was done in France and all other countries where such measures were ordered or recommended by the government. At the date of publication of this report, the vast majority of Group employees have returned to the workplace, while continuing to comply with health and safety rules in place since the crisis began.

In parallel, the Group has maintained all business operations. In particular, it has continued to manufacture and deliver equipment, consumables and spare parts worldwide. After-sales support for the Group's solutions has been provided to customers that continue to operate.

Confinement measures implemented by most countries during the first half of the year have led to a significant reduction in activity by the Group's customers, and to the suspension of some business discussions with Lectra. All three strategic market sectors—fashion, automotive, and furniture—have been strongly impacted.

With an average exchange rate of $1.10/€1 in H1 2020, the US dollar was up 3% compared to H1 2019, while the yuan declined by 1% against the euro. The mechanical impact of currency fluctuations was negligible on revenues (which increased by 0.2 million euros) and increased income from operations by 4% (which increased by 0.3 million euros) at actual exchange rates compared to like-for-like figures.

Decline in revenues and income from operations

In this unique and unprecedented environment, revenues (114 million euros) decreased by 17% compared to H1 2019.

Orders and revenues from software licenses, equipment and accompanying software, and non-recurring services

Orders for perpetual software licenses, equipment and accompanying software, and non-recurring services (34.2 million euros) were down 35%. The slowdown in orders, initiated in March, intensified in Q2. Orders for perpetual software licenses (3.7 million euros), equipment and accompanying software (25.6 million euros), and training and consulting (4.2 million euros) decreased by 45%, 35% and 27%, respectively.

Geographically, orders for perpetual software licenses, equipment and accompanying software, and non-recurring services decreased by 48% in Asia-Pacific, by 28% in Europe and by 2% in the Americas. They were down 55% in the rest of the world (including Northern Africa, South Africa, Turkey, and the Middle East). They decreased by 25% in the fashion market, 46% in the automotive market, 56% in the furniture market and 3% in the other industries.

Revenues from perpetual software licenses, equipment and accompanying software, and non-recurring services (37.8 million euros) decreased by 30%. They include mainly:

- Perpetual software licenses (4.2 million euros), which decreased by 44% and accounted for 4% of total revenues (5% in 2019);
- Equipment and accompanying software (27.8 million euros), which decreased by 28% and accounted for 24% of total revenues (28% in 2019);
- Training and consulting (5.1 million euros), which decreased by 19% and accounted for 4% of total revenues (5% in 2019).

At June 30, 2020, the order backlog for perpetual software licenses, equipment and accompanying software, and training and consulting amounted to 16 million euros. It decreased by 3.7 million euros compared to December 31, 2019, and by 5.2 million euros compared to June 30, 2019.

Orders from software subscriptions - revenues from recurring contracts, and consumables and parts

The annual value of new software subscription orders amounted to 1 million euros, up 44% compared to H1 2019.

Revenues from recurring contracts—which represented 44% of total revenues—amounted to 49.9 million euros, a 4% increase.

This revenue component is a key pillar of the Group's business model and constitutes a protective factor that will help mitigate the impact of the COVID-19 crisis on revenues and results. The breakdown is as follows:

- Software subscriptions were 1.6 million euros (0.4 million euros in 2019);
- Software maintenance contracts (19 million euros), stable compared to 2019, represented 17% of total revenues;
- Equipment and accompanying software maintenance contracts (29.4 million euros), up 3%, represented 26% of total revenues.

In parallel, revenues from consumables and parts (26.3 million euros) were affected by the acute reduction in business activity of the Group's customers due to the health crisis, decreasing by 27%. They represented 23% of revenues (26% in 2019).

Overall, recurring revenues (76.2 million euros) decreased by 9%.

Gross profit

Gross profit amounted to 86.1 million euros, down 14% compared to 2019.

The overall gross profit margin was 75.5%, up 2.5 percentage points relative to H1 2019. This increase stems primarily from the evolution of the product mix, and specifically from the greater share of recurring contract revenues. 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 79 million euros, down 4% compared to 2019. The breakdown is as follows:

- 74.3 million euros in fixed overhead costs (-1%);
- 4.7 million euros in variable costs (-37%).

Research and development costs (16.4 million euros), which are fully expensed in the period and included in fixed overhead costs, represented 14.4% of revenues (16.1 million euros and 11.7% of revenues in H1 2019). After deducting the research tax credit applicable in France and grants received (in 2019), net research and development costs totaled 12 million euros (11.1 million euros in 2019).

Income from operations and net income

Income from operations amounted to 7.1 million euros, down 61% compared to H1 2019 (-59% at actual exchange rates).

The operating margin was 6.2%, down 6.7 percentage points like-for-like, and 6.5 percentage points at actual exchange rates.

Financial income and expenses represented a net charge of 0.2 million euros. Foreign exchange gains and losses generated a net loss of 0.6 million euros.

After an income tax expense of 1.9 million euros, net income amounted to 4.5 million euros, down 65% at actual exchange rates.

Net earnings per share came to €0.14 on basic capital and diluted capital (respectively €0.40 and €0.39 in H1 2019).

Positive free cash flow

Free cash flow was 1.5 million euros (12.5 million euros for H1 2019).

This decline is attributable mainly to the lower income and the 2.1-million-euro difference between the reduction in working capital requirement in H1 2020 (0.3 million euros) and the one in H1 2019 (2.4 million euros).

Particularly robust balance sheet – positive net cash position of close to 110 million euros

At June 30, 2020, consolidated shareholders' equity amounted to 176.2 million euros (183 million euros at December 31, 2019), after payment on May 8 of the dividend of 12.8 million euros (€0.40 per share) declared in respect of FY 2019.

The Group is debt-free. Cash and cash equivalents, as well as net cash position, totaled 109.9 million euros (120.6 million euros at December 31, 2019), after payment of the dividend.

The working capital requirement at June 30, 2020 was a negative 22.5 million euros. It comprised the current portion (2.6 million euros) of the 21.9 million euros receivable on the French tax administration (Trésor public), corresponding to the research tax credits recognized since fiscal year 2016. The portion to be repaid in over one year is carried on the balance sheet under other non-current assets (see note 6 below).

3. SHARE CAPITAL – OWNERSHIP – SHARE PRICE PERFORMANCE

Change in share capital

At June 30, 2020, the share capital totaled €32,245,034, divided into 32,245,034 shares with a par value of €1.00.

Share capital increased by €145,934 (with a total share premium of €1,064,411) due to the creation of 145,934 shares since January 1, 2020, resulting from the exercise of stock options.

Main shareholders

On June 15, and then on July 17, 2020, the Company was notified that Allianz SE (Germany) had fallen below, and then exceeded, the 5% threshold for voting rights. As of July 17, it held 5.14% of the share capital and 5.10% of the voting rights through the companies Allianz IARD and Allianz vie that it controls. The first crossing was a passive threshold crossing resulting from the increase in the number of shares and voting rights in the Company.

No other crossing of statutory thresholds has been reported to the Company since January 1, 2020.

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

- Daniel Harari holds 17% of the capital and 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;
- Kempen Capital Management NV (The Netherlands), acting on behalf of the Kempen Oranje Participaties investment fund that it manages, and Allianz SE (Germany) through the companies Allianz IARD and Allianz vie that it controls, hold more than 5% (but less than 10%) of the capital and the voting rights.

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

Treasury shares

At June 30, 2020, the Company held 0.09% of its own shares in treasury shares, solely within the framework of the liquidity agreement contracted with Exane BNP Paribas.

Share price performance and trading volumes

The Company's share price at June 30, 2020 was €16.18, down 28% compared to December 31, 2019 (€22.35). In H1, it reached a low of €12.20 on March 23 and a high of €24.45 on January 13.

The CAC 40 index, CAC All-Tradable index and the CAC Mid & Small index decreased by 17% for the first six months of 2020.

According to Bloomberg, 9.1 million shares were traded on all platforms in H1 2020 (6.9 million in H1 2019), including 35% on Euronext.

In its press release of April 15, 2020, Lectra confirmed that it is eligible for inclusion in French SME ("PEA-PME") equity savings plans. As a consequence, investment in Lectra shares can be made through PEA-PME savings accounts, a scheme specifically applicable to investments in small and mid-cap companies, benefiting from the same tax advantages as the traditional Equity Savings Plan (PEA).

4. SIGNIFICANT POST-CLOSING EVENTS SINCE JUNE 30, 2020

No significant event has occurred.

5. FINANCIAL CALENDAR

The Q3 and first nine months of 2020 financial results will be published on October 28, after the close of trading on Euronext Paris.

6. BUSINESS TRENDS AND OUTLOOK

In its 2019 Financial Report, published February 11, 2020, Lectra had reported its long-term vision and its new strategic roadmap for the 2020-2022 period.

The Group already noted the uncertainties linked to the COVID-19 epidemic, whose impact was observed only in China at the time and decided that it would not formulate estimates for 2020 until such time as visibility improved. Since then, the epidemic has become a pandemic, leading to a major and rapid slowdown of the global economic activity.

While most of the objectives of the 2020-2022 strategic roadmap remain valid, and particularly the acceleration towards Industry 4.0, the growth objectives for the end of the period will have to take into account the consequences of the economic crisis, caused by the COVID-19. As a result, the Group will update its objectives when it considers that visibility has returned to a sufficient level.

2020 outlook

The year 2020 will be marked by the global health crisis and its consequences.

Lectra has a particularly robust balance sheet, a positive net cash position of close to 110 million euros at June 30, 2020, and a proven business model with, among other strengths, a very high percentage of recurring revenues. The Group considers that it is financially equipped to deal with a temporary or more sustained reduction in its business activity.

Furthermore, the Group has implemented measures to reduce its overhead costs, which were initially budgeted to increase by 8% in 2020, by cancelling or postponing all non-essential expenses. The initial effects of these measures, which will continue at least through the end of the year, are visible in the Q2 financial statements.

In light of its sound financial position, capacity for resilience, and medium-term outlook, the Group has decided not to put in place short-time working arrangements (under the partial activity scheme), and not to benefit from any financial support from the French government. Lectra has also supported the nation's collective effort to fight against this crisis by voluntarily cutting masks and medical personal protective equipment.

At this stage, while the consequences of the crisis are already apparent in the business operations and financial statements for the first half of 2020, it is difficult to predict the impact over the rest of the year.

The Group's three strategic market sectors, fashion, automotive and furniture, will probably undergo a consolidation and restructuring phase. Depending on the evolution of the macroeconomic environment among other things, companies operating in these markets could be led to temporarily reduce their capital expenditures and operating expenses.

While a gradual increase in the volume of orders, revenues and income from operations could potentially occur as early as the third or fourth quarter, such developments are subject to substantial continuing uncertainties surrounding the evolution of the pandemic, which make it difficult to estimate the timing and extent of the rebound in activity.

Medium-term outlook

In this particularly uncertain environment, the Group demonstrates on a daily basis, through the decisions that it has taken, its commitment to its social, environmental and societal responsibilities, and to the fundamental values that underlie these responsibilities.

The Group's markets provide goods for which consumer demand will persist worldwide. Lectra, which despite the crisis preserves its competitive advantage and benefits from a very solid financial position, remains confident in its growth prospects for the medium-term.

The Board of Directors

July 27, 2020

ADDITIONAL INFORMATION – SECOND QUARTER 2020

ORDERS FOR NEW SYSTEMS – LIKE-FOR-LIKE

Perpetual software licenses, equipment and accompanying software and non recurring services

	Three Months Ended June 30						
	2020			2019		Changes 2020/2019	
(in thousands of euros)	Actual	%	At 2019 exchange rates	Actual	%	Actual	Like-for-like
Perpetual software licenses	1,065	7%	1,070	3,202	12%	-67%	-67%
Equipment and accompanying software	12,018	80%	11,997	19,744	76%	-39%	-39%
Training and consulting services	1,642	11%	1,641	2,520	10%	-35%	-35%
Miscellaneous	246	2%	250	464	2%	-47%	-46%
Total	14,971	100%	14,958	25,931	100%	-42%	-42%
€ / $ average parity	*1.10*		*1.12*	*1.12*			

New software subscriptions

	Three Months Ended June 30						
	2020			2019		Changes 2020/2019	
(in thousands of euros)	Actual	%	At 2019 exchange rates	Actual	%	Actual	Like-for-like
Annual value of new software subscriptions	339	na	340	261	na	+30%	+30%
€ / $ average parity	*1.10*		*1.12*	*1.12*			

BREAKDOWN OF REVENUES – LIKE-FOR-LIKE

Revenue distribution by geographical market is reported on an indicative basis. Trends for the fiscal year cannot be extrapolated based on one single quarter.

Revenues by region

	Three Months Ended June 30						
	2020			2019		Changes 2020/2019	
(in thousands of euros)	Actual	%	At 2019 exchange rates	Actual	%	Actual	Like-for-like
Europe, of which:	22,430	44%	22,517	26,269	37%	-15%	-14%
- France	3,481	7%	3,478	4,156	6%	-16%	-16%
Americas	12,363	25%	12,458	16,938	24%	-27%	-26%
Asia-Pacific	12,730	25%	12,662	21,363	30%	-40%	-41%
Other countries	2,997	6%	3,143	5,633	8%	-47%	-44%
Total	50,520	100%	50,781	70,204	100%	-28%	-28%
€ / $ average parity	*1.10*		*1.12*	*1.12*			

Revenues by type of business

	Three Months Ended June 30						
	2020			2019		Changes 2020/2019	
(in thousands of euros)	Actual	%	At 2019 exchange rates	Actual	%	Actual	Like-for-like
Revenues from perpetual software licenses, equipment and accompanying software, and non-recurring services, of which:	15,832	31%	15,898	27,866	40%	-43%	-43%
- Perpetual software licenses	1,159	2%	1,156	3,494	5%	-67%	-67%
- Equipment and accompanying software	12,175	24%	12,227	20,641	29%	-41%	-41%
- Training and consulting services	2,252	4%	2,265	3,266	5%	-31%	-31%
- Miscellaneous	246	0%	250	464	1%	-47%	-46%
Recurring revenues, of which:	34,688	69%	34,883	42,338	60%	-18%	-18%
- Software subscriptions	826	2%	827	243	ns	+240%	+240%
- Software maintenance contracts	9,400	19%	9,451	9,522	14%	-1%	-1%
- Equipment and accompanying software maintenance contracts	14,717	29%	14,753	14,384	20%	+2%	+3%
- Consumables and parts	9,746	19%	9,852	18,189	26%	-46%	-46%
Total	50,520	100%	50,781	70,204	100%	-28%	-28%
€ / $ average parity	*1.10*		*1.12*	*1.12*			

CONSOLIDATED INCOME STATEMENT – LIKE-FOR-LIKE

(in thousands of euros)	Three Months Ended June 30				
	2020		2019	Changes 2020/2019	
	Actual	At 2019 exchange rates	Actual	Actual	Like-for-like
Revenues	50,520	50,781	70,204	-28%	-28%
Cost of goods sold	(12,114)	(12,125)	(19,474)	-38%	-38%
Gross profit	38,406	38,656	50,729	-24%	-24%
(in % of revenues)	76.0%	76.1%	72.3%	+3.7 points	+3.8 points
Research and development	(5,738)	(5,738)	(5,642)	+2%	+2%
Selling, general and administrative expenses	(30,661)	(30,909)	(35,549)	-14%	-13%
Income from operations	2,008	2,009	9,538	-79%	-79%
(in % of revenues)	4.0%	4.0%	13.6%	-9.6 points	-9.6 points
Income before tax	1,669	1,671	9,115	-82%	-82%
Income tax	(608)	na	(2,226)	-73%	na
Net income	**1,062**	**na**	**6,889**	**-85%**	**na**
of which, Group share	**1,081**	**na**			**na**
of which, Non-controlling interests	(19)	na			na
€ / $ average parity	*1.10*	*1.12*	*1.12*		

ADDITIONAL INFORMATION – FIRST HALF 2020

ORDERS FOR NEW SYSTEMS – LIKE-FOR-LIKE

1. Perpetual software licenses, equipment and accompanying software and non recurring services

1.1. by product line

	Six Months Ended June 30						
	2020			2019		Changes 2020/2019	
(in thousands of euros)	Actual	%	At 2019 exchange rates	Actual	%	Actual	Like-for-like
Perpetual software licenses	3,730	11%	3,725	6,782	13%	-45%	-45%
Equipment and accompanying software	25,562	75%	25,344	38,851	74%	-34%	-35%
Training and consulting services	4,206	12%	4,190	5,767	11%	-27%	-27%
Miscellaneous	745	2%	747	1,047	2%	-29%	-29%
Total	34,243	100%	34,006	52,447	100%	-35%	-35%
€ / $ average parity	*1.10*		*1.13*	*1.13*			

1.2. by region

	Six Months Ended June 30						
	2020			2019		Changes 2020/2019	
(in thousands of euros)	Actual	%	At 2019 exchange rates	Actual	%	Actual	Like-for-like
Europe	13,477	39%	13,476	18,694	36%	-28%	-28%
Americas	7,055	21%	7,003	7,150	14%	-1%	-2%
Asia-Pacific	11,232	33%	11,061	21,186	40%	-47%	-48%
Other countries	2,479	7%	2,466	5,417	10%	-54%	-54%
Total	34,243	100%	34,006	52,447	100%	-35%	-35%
€ / $ average parity	*1.10*		*1.13*	*1.13*			

1.3. by market

	Six Months Ended June 30						
	2020			2019		Changes 2020/2019	
(in thousands of euros)	Actual	%	At 2019 exchange rates	Actual	%	Actual	Like-for-like
Fashion	19,655	57%	19,544	26,179	50%	-25%	-25%
Automotive	8,569	25%	8,500	15,601	30%	-45%	-46%
Furniture	3,709	11%	3,668	8,309	16%	-55%	-56%
Other industries	2,309	7%	2,295	2,359	4%	-2%	-3%
Total	34,243	100%	34,006	52,447	100%	-35%	-35%
€ / $ average parity	*1.10*		*1.13*	*1.13*			

2. New software subscriptions

	Six Months Ended June 30						
	2020			2019		Changes 2020/2019	
(in thousands of euros)	Réel	%	At 2019 exchange rates	Actual	%	Actual	Like-for-like
Annual value of new software subscriptions	970	na	957	666	na	+46%	+44%
€ / $ average parity	*1.10*		*1.13*	*1.13*			

BREAKDOWN OF REVENUES – LIKE-FOR-LIKE

Revenues by region

(in thousands of euros)	2020 Actual	2020 %	2020 At 2019 exchange rates	2019 Actual	2019 %	Changes 2020/2019 Actual	Changes 2020/2019 Like-for-like
Europe, of which:	49,611	43%	49,703	54,249	40%	-9%	-8%
- France	7,598	7%	7,596	8,967	7%	-15%	-15%
Americas	30,455	27%	30,331	33,038	24%	-8%	-8%
Asia-Pacific	25,883	23%	25,584	38,211	28%	-32%	-33%
Other countries	8,086	7%	8,226	11,701	9%	-31%	-30%
Total	114,035	100%	113,845	137,200	100%	-17%	-17%
€ / $ average parity	*1.10*		*1.13*	*1.13*			

Six Months Ended June 30

Revenues by type of business

(in thousands of euros)	2020 Actual	2020 %	2020 At 2019 exchange rates	2019 Actual	2019 %	Changes 2020/2019 Actual	Changes 2020/2019 Like-for-like
Revenues from perpetual software licenses, equipment and accompanying software, and non-recurring services, of which:	37,840	33%	37,708	53,492	39%	-29%	-30%
- Perpetual software licenses	4,201	4%	4,206	7,446	5%	-44%	-44%
- Equipment and accompanying software	27,804	24%	27,679	38,695	28%	-28%	-28%
- Training and consulting services	5,090	4%	5,076	6,305	5%	-19%	-19%
- Miscellaneous	745	1%	747	1,047	1%	-29%	-29%
Recurring revenues, of which:	76,195	67%	76,136	83,709	61%	-9%	-9%
- Software subscriptions	1,572	1%	1,570	446	ns	+252%	+252%
- Software maintenance contracts	19,005	17%	19,037	19,073	14%	0%	0%
- Equipment and accompanying software maintenance contracts	29,356	26%	29,256	28,358	21%	+4%	+3%
- Consumables and parts	26,262	23%	26,273	35,831	26%	-27%	-27%
Total	114,035	100%	113,845	137,200	100%	-17%	-17%
€ / $ average parity	*1.10*		*1.13*	*1.13*			

Six Months Ended June 30

CONSOLIDATED INCOME STATEMENT – LIKE-FOR-LIKE

(in thousands of euros)	Six Months Ended June 30				
	2020		2019	Changes 2020/2019	
	Actual	At 2019 exchange rates	Actual	Actual	Like-for-like
Revenues	114,035	113,845	137,200	-17%	-17%
Cost of goods sold	(27,960)	(27,910)	(37,079)	-25%	-25%
Gross profit	86,075	85,935	100,122	-14%	-14%
(in % of revenues)	75.5%	75.5%	73.0%	+2.5 points	+2.5 points
Research and development	(12,029)	(12,029)	(11,141)	+8%	+8%
Selling, general and administrative expenses	(66,947)	(67,086)	(71,544)	-6%	-6%
Income from operations	7,099	6,820	17,436	-59%	-61%
(in % of revenues)	6.2%	6.0%	12.7%	-6.5 points	-6.7 points
Income before tax	6,312	6,032	16,846	-63%	-64%
Income tax	(1,862)	na	(4,212)	-56%	na
Net income	**4,450**	**na**	**12,634**	**-65%**	**na**
of which, Group share	**4,465**	**na**			
of which, Non-controlling interests	(15)	na			
€ / $ average parity	*1.10*	*1.13*	*1.13*		

Company certification of the first half 2020 report

We certify that, to our knowledge, the first-half financial statements have been prepared in accordance with currently applicable accounting standards and provide a fair view of the assets, financial condition, and financial 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 27, 2020

Daniel Harari
Chairman and Chief Executive Officer

Olivier du Chesnay
Chief Financial Officer

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

(in thousands of euros)	June 30, 2020	December 31, 2019	June 30, 2019
Goodwill	47,297	47,380	39,514
Other intangible assets	4,388	4,008	3,894
Leasing rights-of-use	16,913	18,697	18,429
Property, plant and equipment	26,538	26,963	25,680
Other non-current assets	22,033	17,242	18,557
Deferred tax assets	9,413	8,589	8,622
Total non-current assets	126,582	122,879	114,696
Inventories	31,900	30,919	34,519
Trade accounts receivable	39,826	56,933	47,660
Other current assets	11,044	12,217	16,390
Cash and cash equivalents	109,879	120,558	104,009
Total current assets	192,649	220,627	202,578
Total assets	**319,231**	**343,506**	**317,274**

EQUITY AND LIABILITIES

(in thousands of euros)	June 30, 2020	December 31, 2019	June 30, 2019
Share capital	32,245	32,099	32,026
Share premium	16,867	15,802	15,210
Treasury shares	(534)	(698)	(325)
Currency translation adjustments	(9,755)	(9,481)	(9,690)
Retained earnings and net income	137,252	145,141	134,733
Non-controlling interests	144	159	-
Total equity	176,219	183,022	171,953
Retirement benefit obligations	11,133	11,107	10,590
Non-current lease liabilities	11,824	13,407	13,670
Minority shares purchase commitment	4,333	4,333	-
Borrowings, non-current portion	-	-	-
Total non-current liabilities	27,290	28,847	24,260
Trade and other current payables	45,779	58,896	54,745
Deferred revenues	56,543	58,459	54,800
Current income tax liabilities	2,939	3,436	3,121
Current lease liabilities	5,488	5,675	5,139
Minority shares purchase commitment	2,167	2,167	-
Borrowings, current portion	-	-	-
Provisions for other liabilities and charges	2,806	3,004	3,256
Total current liabilities	115,722	131,637	121,061
Total equity and liabilities	**319,231**	**343,506**	**317,274**

CONSOLIDATED INCOME STATEMENT

(in thousands of euros)	Six months ended June 30, 2020	Six months ended June 30, 2019
Revenues	114,035	137,200
Cost of goods sold	(27,960)	(37,079)
Gross profit	86,075	100,122
Research and development	(12,029)	(11,141)
Selling, general and administrative expenses	(66,947)	(71,544)
Income from operations	7,099	17,436
Financial income	39	118
Financial expenses	(247)	(312)
Foreign exchange income (loss)	(580)	(397)
Income before tax	6,312	16,846
Income tax	(1,862)	(4,212)
Net income	**4,450**	**12,634**
of which, Group share	**4,465**	**12,634**
of which, Non-controlling interests	(15)	-

(in euros)		
Earnings per share, Group share:		
- basic	0.14	0.40
- diluted	0.14	0.39
Shares used in calculating earnings per share		
- basic	32,128,770	31,925,898
- diluted	32,397,019	32,396,256

STATEMENT OF COMPREHENSIVE INCOME, GROUP SHARE (1)

(in thousands of euros)	Six months ended June 30, 2020	Six months ended June 30, 2019
Net income, Group share	4,465	12,634
Currency translation adjustments	(191)	(169)
Tax effect	(82)	33
Other comprehensive income to be reclassified in net income	(273)	(136)
Remeasurement of the net liability arising from defined benefits pension plans	279	(439)
Tax effect	(78)	135
Other comprehensive income not to be reclassified in net income	201	(304)
Total other comprehensive income	(72)	(440)
Comprehensive income, Group share	**4,393**	**12,194**

(1) The Group considered as non-material the information regarding the comprehensive income of the non-controlling interests (30% of Retviews minority shares only) and thus only presents the comprehensive income of the Group share.

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of euros)	Six months ended June 30, 2020	Six months ended June 30, 2019
I - OPERATING ACTIVITIES		
Net income	4,450	12,634
Net depreciation, amortization and provisions	7,646	5,850
Non-cash operating expenses	627	150
Loss (profit) on sale of fixed assets	39	13
Changes in deferred income taxes	(1,174)	792
Changes in inventories	(1,919)	(689)
Changes in trade accounts receivable	14,711	9,194
Changes in other current assets and liabilities	(12,468)	(6,117)
Changes in other operating non-current assets	(4,532)	(3,483)
Net cash provided by (used in) operating activities	7,380	18,345
II - INVESTING ACTIVITIES		
Purchases of intangible assets	(1,087)	(906)
Purchases of property, plant and equipment	(1,484)	(1,336)
Proceeds from sales of intangible and tangible assets	6	2
Acquisition cost of companies purchased	-	-
Purchases of financial assets [(1)]	(2,836)	(3,533)
Proceeds from sales of financial assets [(1)]	2,535	2,920
Net cash provided by (used in) investing activities	(2,866)	(2,853)
III - FINANCING ACTIVITIES		
Proceeds from issuance of ordinary shares	1,210	1,546
Dividends paid	(12,844)	(12,782)
Purchases of treasury shares	(2,641)	(2,909)
Sales of treasury shares	2,678	3,264
Repayment of lease liabilities	(3,024)	(2,965)
Net cash provided by (used in) financing activities	(14,621)	(13,846)
Increase (decrease) in cash and cash equivalents	**(10,107)**	**1,646**
Cash and cash equivalents at opening	120,558	102,223
Increase (decrease) in cash and cash equivalents	(10,107)	1,646
Effect of changes in foreign exchange rates	(572)	140
Cash and cash equivalents at closing	109,879	104,009
Net cash provided by (used in) operating activities	7,380	18,345
+ Net cash provided by (used in) investing activities	(2,866)	(2,853)
- Acquisition cost of companies purchased	-	-
- Repayment of lease liabilities	(3,024)	(2,965)
Free cash flow	1,490	12,527
Income tax (paid) / reimbursed, net	(2,437)	(2,151)
Interest paid on lease liabilities	(77)	(66)
Interest paid	-	-

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in thousands of euros, except for par value per share expressed in euros)	Share capital: 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, Group share**	Non controlling interests [(1)]	**Total equity**
Balance at January 1, 2019	31,846,757	1.00	31,847	13,843	(560)	(9,554)	134,802	170,377		170,377
Net income							12,634	12,634		12,634
Other comprehensive income						(136)	(304)	(440)		(440)
Comprehensive income						(136)	12,330	12,194		12,194
Exercised stock options	179,210	1.00	179	1,367				1,546		1,546
Fair value of stock options							303	303		303
Sale (purchase) of treasury shares					235			235		235
Profit (loss) on treasury shares							79	80		80
Dividend paid							(12,782)	(12,782)		(12,782)
Balance at June 30, 2019	32,025,967	1.00	32,026	15,210	(325)	(9,690)	134,733	171,953		171,953
Balance at January 1, 2019	31,846,757	1.00	31,847	13,843	(560)	(9,554)	134,802	170,377		170,377
Net income							29,305	29,305	19	29,324
Other comprehensive income						73	(485)	(412)		(412)
Comprehensive income						73	28,820	28,893	19	28,912
Exercised stock options	252,343	1.00	252	1,959				2,211		2,211
Fair value of stock options							693	693		693
Sale (purchase) of treasury shares					(138)			(138)		(138)
Profit (loss) on treasury shares							106	106		106
Integration of Retviews and minority shares purchase commitment [(1)]							(6,500)	(6,500)	140	(6,360)
Dividend paid							(12,782)	(12,782)		(12,782)
Balance at December 31, 2019	32,099,100	1.00	32,099	15,802	(698)	(9,481)	145,141	182,863	159	183,022
Net income							4,465	4,465	(15)	4,450
Other comprehensive income						(273)	201	(72)		(72)
Comprehensive income						(273)	4,666	4,393	(15)	4,378
Exercised stock options	145,934	1.00	146	1,064				1,210		1,210
Fair value of stock options							374	374		374
Sale (purchase) of treasury shares					164			164		164
Profit (loss) on treasury shares							(85)	(85)		(85)
Dividend paid							(12,844)	(12,844)		(12,844)
Balance at June 30, 2020	**32,245,034**	**1.00**	**32,245**	**16,867**	**(534)**	**(9,755)**	**137,252**	**176,075**	**144**	**176,219**

(1) These amounts are the result of the acquisition of Retviews in 2019. Note 3 hereafter describes the impact of this acquisition on the Group's financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT JUNE 30, 2020

1. BUSINESS ACTIVITY

A French high technology company, Lectra has developed privileged and long-term relationships with its customers in over 100 countries. They all have operational excellence in common and the soft materials they use – fabrics and leather, but also technical textile and composite materials – to manufacture their products (garments, shoes and luggage, car seats and interiors, airbags, sofas…).

In order to increase customers' competitiveness, Lectra creates premium technologies specifically for its customers' markets – mainly fashion, automotive and furniture. Lectra's solutions, combining software, automated cutting equipment and associated services, enable customers to automate and optimize product design, development and manufacturing, and to digitalize their processes.

Lectra's offer supports customers to achieve their strategic objectives: to boost productivity; to reduce cutting costs; to reduce time-to-market; to meet the challenges of globalization; to enhance product quality; to increase production capacity; and to develop their brands. In addition, customers now face challenges specific to Industry 4.0, such as securing digital communications along an extended supply chain, and making the factory more agile.

Established in 1973, Lectra has been listed on Euronext Paris since 1987.

Business model

Lectra's business model is based on three pillars:

- The distribution of business activity over market sectors and geographical markets with cycles that are different from each other, and the very large number of customers throughout the world;
- A balanced revenue mix between revenues from software licenses, equipment and non-recurring services, and recurring revenues;
- The generation of significant annual free cash flow.

Worldwide presence

Since the mid-1980s Lectra, with headquarters located in France, has established its global footprint. The Group supports customers through its unrivalled network of 34 sales and services' subsidiaries, from which Lectra generates over 90% of revenues.

Lectra also has an International Advanced Technology & Conference Center in Bordeaux-Cestas (France) where the company welcomes customers from all over the world, and five international Call Centers, based in Bordeaux-Cestas (France), Madrid (Spain), Milan (Italy), Atlanta (USA) and Shanghai (China).

Customers

From global corporations to smaller national companies, Lectra's customers are, for the most part, fashion and apparel brands, manufacturers and retailers, automotive equipment manufacturers and subcontractors, and furniture brands and manufacturers.

Products and services

The Group markets end-to-end integrated technology solutions: software, automated cutting equipment services. The distinctive feature of Lectra's offer is to integrate business expertise with the best industrial practices for each market sector. All Lectra software and equipment, including electronics, are designed and developed in-house.

Equipment is assembled from parts produced by a network of subcontractors and tested in the company's industrial facilities in Bordeaux-Cestas (France). Since 2007, cutting machines on the market incorporate hundreds of sensors which connect them to Lectra's Call Centers, enabling preventive and predictive maintenance.

The services include technical maintenance, support, training and consulting.

The Group also sells consumables and parts for its equipment.

People

Lectra's strength lies in the skills and experience of close to 1,800 employees worldwide. Thanks to Lectra's global presence the Group is geographically close to its customers, wherever they are in the world.

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:

https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/financial-reporting_en

The condensed consolidated financial statements at June 30, 2020, 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 2019, 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 2019 financial statements, with the exception of the amendment to IFRS 16 standard dated May 28, 2020 (not adopted by the EU) presented below. They have been prepared under the responsibility of the Board of Directors at its meeting of July 27, 2020. Financial statements at June 30, 2020 and have been subjected to a limited review by the Statutory Auditors.

The other standards, amendments and interpretations adopted by the European Union whose application is required for fiscal years starting from January 1, 2020 have no impact on the Group's financial statements. The Group has not early adopted any other standards, amendments or interpretations whose application is not required for fiscal years starting from January 1, 2020.

Amendment to IFRS 16 – Leases

The Group has applied, in advance, since April 1, 2020, the amendment to IFRS 16: *Covid-19-Related Rent Concessions*. This amendment enables the Group not to consider certain rent concessions as lease modifications. The Group has chosen to apply the amendment to all rent concessions that meet the conditions and that are a direct consequence of the COVID-19 pandemic. These concessions have been obtained without other substantive changes to terms and conditions of the leases.

At June 30, 2020, this amendment affected a limited number of subsidiaries. Its impact on the Group's consolidated income statement was less than 0.1 million euros.

Seasonality

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.

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.

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 and fixed assets impairment, evaluation of deferred tax assets, and evaluation of rights-of-use and lease obligations as part of implementation of IFRS 16 – Leases.

Revenues

Contracts with customers comprise multiple obligations such as: equipment and accompanying software, perpetual software licenses, consumables and parts, training and consulting, installation, maintenance, evolution and online services contracts for equipment and software.

Software sales are only recognized separately when the customer can benefit from the software independently from the other goods and services promised in the contract. In particular, the software accompanying CAD/CAM equipment (called pilots) are not recognized separately from these, as they are an inseparable part of the equipment: without the pilot, the equipment would be useless, and without the equipment, the pilot has no use either. However, specialized software (for instance, software for collection management, pattern-making, simulation), sold under perpetual license separately from the equipment and usually installed on the clients' computers are considered separate performance obligations.

The other obligations are considered as separate under IFRS 15 and are thus accounting for based on the following elements among others:

- Installation of equipment and specialized software is made in a few days, easy to implement, and does not modify their characteristics;
- Training is short-term and had no interdependence relationship with the other obligations;
- Consulting usually regards the optimization of clients' production and is very often sold separately to clients;
- Regarding maintenance of software and equipment, these are yearly contracts in which the Group's commitment is a stand-ready type, or an obligation to make future not-yet-planned versions of the software available. The solutions (equipment and software) are distinct from maintenance / evolution since they are entirely ready to work upon delivery and since maintenance / evolution services are not critical for the client in order to use the solution. Equipment is sold most often with one or two years of maintenance, and the client holds renewal options that are not discounted compared to the initial price for subscribing maintenance. Renewal options are thus not considered as significant rights that would require separate accounting under IFRS 15.

The company determines stand-alone selling prices of the multiple elements by using observable data as much as possible. For elements which are not sold separately on a customary basis, stand-alone selling prices are estimated based on the company's pricing policy, reflecting expected costs plus an appropriate margin.

Revenue from sales of equipment (including pilot software) is recognized when the control has been transferred to the purchaser. These conditions are fulfilled upon physical transfer of the hardware in accordance with the contractual sale terms.

Specialized software sold as perpetual licenses is regarded as right-of-use licenses under IFRS 15, for which revenue is booked at a certain date, generally the time of installation of the software on the customer's computer (either by CD-ROM or downloading).

Revenue from subscription sales of software is spread over the duration of the customer's commitment.

Revenue from training and consulting is recognized based on the completion of hours or days of work.

Revenue from equipment and specialized software installation is recognized when these services are rendered.

Revenue from software and equipment maintenance contracts is spread linearly over the duration of the contracts, as they are ‘stand-ready obligations’.

Equipment is designed, made and assembled by the Group from parts produced by a network of subcontractors. Lectra acts as principal in the sale of equipment insofar as parts only constitute inputs used in the manufacturing of finished goods sold to customers.

Cost of goods sold

Cost of goods sold comprises all purchases of raw materials included in the costs of manufacturing, the net 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)*, 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.

Performance indicators

The Group uses performance indicators such as income from operations, free cash flow, and the security ratio, as defined above; it considers these aggregates appropriate for management of the Group and for measurement of the implementation of its strategy.

Income from operations before non-recurring items

The Group uses an intermediate balance referred to as ‘Income from operations’, defined as income excluding financial operations, companies accounted for by the equity method, discontinued operations or those held for sale, and income tax.

When the Group identifies non-recurring items, it tracks its operating performance by means of an intermediate balance referred to as ‘Income from operations before non-recurring items’. This financial metric reflects income from operations less non-recurring income and plus non-recurring expenses, as set forth in CNC (French National Accounting Council) recommendation 2009-R.03.

Where applicable, non-recurring items excluded from income from operations before non-recurring items reflect the impact on the financial statements of events that are either unusual, abnormal and infrequent. There are very few of these and their amounts are significant.

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), and minus repayments of lease liabilities according to IFRS 16.

The Group considers this definition of free cash flow as a performance indicator of its work on cash management.

Lease liabilities (according to IFRS 16) do not affect performance as monitored by the Group.

Security ratio

The security ratio is defined by the Group as the percentage of annual fixed overhead costs covered by gross profit on recurring revenues. This ratio is used by the Group to measure of the coverage of annual fixed-overheads costs by revenues that do not depend on customer's investment decisions from one year to the next.

Operating segments

Operating segment reporting is based directly on the Group's performance tracking and review systems. The operating segments presented in note 4 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; Northern and Eastern Europe and Middle East; Southern Europe and North Africa; and Asia-Pacific. 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, business development, 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 June 30, 2020, the Group's scope of consolidation comprised the parent company, Lectra SA, together with 31 fully-consolidated companies.

In July 2019, the Group had purchased the Belgian company Retviews and its Romanian subsidiary Retviews Bucharest SRL.

The transaction involved the immediate acquisition of 70% of the capital and voting rights of Retviews for 8 million euros. The acquisition of the remaining capital and voting rights will take place in three installments in July 2020, July 2021 and July 2022 for the amounts of about 0.9 times 2020 revenues, 0.7 times 2021 revenues and 0.5 times 2022 revenues, respectively.

The purchase price accounting has been finalized without change and the main impacts on the Group's financial statements are:

- Goodwill recorded for an amount of 7.7 million euros;
- Non-controlling interests recorded for an amount of 0.1 million euros, measured at their proportionate share in the net assets acquired (using the "partial goodwill method");
- A debt to recognize the minority shares purchase commitment, measured at fair value. At June 30, 2020, it is recorded for a total amount of 6.5 million euros (of which 2.2 million euros is classified as current liabilities and 4.3 million euros as non-current liabilities). The counterpart is recorded in 'Equity, Group share'.

The acquisition cost for Lectra, net of cash acquired, amounted to 7.6 million euros.

Retviews and its Romanian subsidiary have been fully consolidated since July 15, 2019.

There was no other change in the scope of consolidation during the first half of 2020, or 2019.

Three sales and service subsidiaries are not consolidated, their revenues being immaterial both separately and combined. At June 30, 2020, their combined revenues totaled 0.4 million euros, and their combined assets totaled 2.9 million euros. 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 June 30, 2020.

4. OPERATING SEGMENTS INFORMATION

Six months ended June 30, 2020 (in thousands of euros)	Northern Europe(1)	Southern Europe(2)	Americas	Asia-Pacific	Corporate	Total
Revenues	25,691	30,676	30,456	27,212	-	114,035
Income (loss) from operations	3,498	5,511	4,685	2,217	(8,812)	7,099

Six months ended June 30, 2019 (in thousands of euros)	Northern Europe(1)	Southern Europe(2)	Americas	Asia-Pacific	Corporate	Total
Revenues	25,970	37,243	33,038	40,949	-	137,200
Income (loss) from operations	2,451	6,391	4,737	4,506	(649)	17,436

(1) This segment covers the following regions: Germany and Eastern Europe, United Kingdom, Benelux, Scandinavia, Baltic countries, Turkey and Middle East.

(2) This segment covers the following regions: France, Italy, Spain, Portugal and North Africa.

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.

5. CONSOLIDATED CASH FLOW SUMMARY

Six months ended June 30, 2020 (in thousands of euros)	Cash and cash equivalents	Financial debts	Net cash
Free cash flow	1,490	-	1,490
Proceeds from issuance of ordinary shares (1)	1,210	-	1,210
Sale and purchase of treasury shares (2)	37	-	37
Dividends paid	(12,844)	-	(12,844)
Impact of currency variations – other	(572)	-	(572)
Change in cash position for the period	(10,679)	-	(10,679)
Cash position at December 31, 2019	120,558	-	120,558
Cash position at June 30, 2020	109,879	-	109,879
Change in cash position for the period	(10,679)	-	(10,679)

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

(2) Carried out solely under the liquidity agreement administered by Exane BNP Paribas (see note 7).

Free cash flow at June 30, 2020, was 1.5 million euros. This figure results from a combination of 7.4 million euros in cash flows provided by operating activities (including a decrease in working capital requirement of 0.3 million euros) and capital expenditures of 2.9 million euros. The cash flows provided by operating activities also comprise an increase in other operating non-current assets of 4.5 million euros (corresponding to the part of the S1 2020 research tax credit, not paid and not deducted from the corporate income tax due by Lectra SA – see note 6 hereafter). Finally, in order to ensure comparability of published free cash flows, the repayment of lease liabilities (according to IFRS 16), for 3.0 million euros, was taken into account.

The variation in working capital is explained as follows:

- −14.7 million euros corresponding to the decrease in trade accounts receivable, following a decline in revenues from software licenses, equipment, consumables and parts and non-recurring services (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);
- +1.9 million euros corresponding to the increase in inventories;
- +8.5 million euros corresponding to the decrease in trade accounts payable, due to the reduction in purchases following the activity decrease;
- +5.2 million euros arising from the difference between the variable portion of salaries for the Group in respect of fiscal year 2019 paid mainly in 2020, and the one recognized in S1 2020 that will be paid in 2021;
- −1.2 million euros arising from the changes in other current assets and liabilities; taken individually, these changes are all immaterial.

The working capital requirement at June 30, 2020 was negative at 22.5 million euros. It comprised the current portion (2.6 million euros) of the 21.9 million euros receivable 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.

6. RESEARCH TAX CREDIT

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

The Group presents separately the current and non-current (to be repaid in over a year) part of the income tax receivable related to the French research tax credit.

The research tax credit (4.5 million euros) for S1 2020 were accounted for but not received.

Thus, at June 30, 2020, Lectra SA held a 21.9 million euros receivable on the French tax administration (of which 19.3 million euros classified within other non-current assets). 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 2020 (4.5 million euros), 2019 (5.2 million euros), 2018 (5 million euros), 2017 (4.5 million euros) and 2016 (2.6 million euros).

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 research tax credit of each fiscal year. Thus, it should receive the reimbursement of the outstanding balance of these non-deducted tax credits as follows: 2020 (in respect of the 2016 tax credit), 2021 (in respect of the 2017 tax credit), 2022 (in respect of the 2018 tax credit), 2023 (in respect of the 2019 tax credit) and 2024 (in respect of the 2020 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 credit 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.

7. TREASURY SHARES

Since January 1, 2020, the company has purchased 134,753 shares and sold 136,016 shares at an average price of €18.65 and €18.75 respectively under the liquidity agreement administered by Exane BNP Paribas.

At June 30, 2020, the company held 30,286 Lectra shares (i.e. 0.09% of the share capital) with an average purchase price of €17.63 entirely under the liquidity agreement.

8. CASH AND CASH EQUIVALENTS AND NET CASH

(in thousands of euros)	June 30, 2020	December 31, 2019
Available cash	79,879	90,558
Cash equivalents	30,000	30,000
Borrowings and financial debts	-	-
Net cash	109,879	120,558

The Group has no borrowings or financial debts. Thus, net cash was equal the sum of available cash and cash equivalents.

Lease liabilities, accounted for under IFRS 16, and minority shares purchase commitment are not considered as financial debts here.

9. FOREIGN EXCHANGE RISK

The Group's currency risk management policy is unchanged relative to December 31, 2019.

In H1 2020, the average parity between the US dollar and the euro was $1.10/€1.

Exchange risk hedging instruments

Exchange risk hedging instruments at June 30, 2020 were comprised of forward sales or purchases of foreign currencies (mainly US dollar) for a net total equivalent value (sales minus purchases) of 0.6 million euros, intended to hedge existing balance sheet positions. Thus, the company has hedged almost all its balance sheet positions.

Moreover, the company has not hedged its exposure to currency rates for the rest of 2020.

10. IMPLICATIONS OF THE COVID-19 OUTBREAK ON THE FINANCIAL STATEMENTS

The impact of the COVID-19 outbreak on the Group's financial statements has been reviewed in detail.

Anticipating a slowdown in its activity, the Group has implemented strict measures to reduce its fixed overhead costs; this has involved cancelling or postponing all non-essential expenses, and temporarily modifying, during the confinement, the assignments of those teams whose workload was the most affected to tasks identified as priorities, in particular ensuring the optimal use of the Group's solutions by customers and accelerating transformative actions planned in the 2020-2022 strategic roadmap.

On the date of this report, in light of its sound financial position, capacity for resilience, and medium-term outlook, the Group has decided not to benefit from any financial support from the French government (such as moratoriums on payments or partial activity). In certain countries, the Group has benefited from some tax cuts, applicable to all companies.

Considering the situation and the activity decrease perceived in the first half of 2020, the Group has updated impairment tests on goodwill performed for the December 2019 financial statements. This update is based on low assumptions that simulate the effect of a one-year time lag in the achievement of the Group's objectives. The updated estimates of the value in use of goodwill components have not led to any impairment for the half-year financial statements, as in 2019.

During the first half of 2020, the working capital requirement remained at a normative level, and the Group generated positive cash flow. The Group's suppliers were paid on schedule. Most of the Group's customers also paid on time, without material impact on the statement of financial position at June 30, 2020. However, the Group remains highly focused on credit management, and has taken actions to strengthen cash collection activities. Following an individualized analysis of its receivables, the Group has estimated the possible losses on the riskiest positions, and recognized the necessary provision for impairment.

Finally, the Group is debt-free, and generated a free cash flow of 1.5 million euros during the first half of the year. Cash and cash equivalents, as well as net cash position, totaled 109.9 million euros at June 30, 2020. Cash equivalents comprise negotiable certificates of deposit issued by the Company's banks. Interest-bearing sight accounts and time deposits opened in the Company's banks are treated as cash. All these holdings are short-term, highly liquid investments that are readily convertible to known amounts of cash and not subject to any significant risk of changes in value.

The Group considers that it is financially equipped to deal with a temporary or more sustained reduction in its business activity.

11. 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 euros increase (or decrease) in revenues from new systems sales results in a rise (or fall) in income from operations of approximately 0.45 million euros.

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, 2019 exchange rates for the relevant currencies, in particular $1.12/€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 $1.07/€1) would mechanically increase 2020 annual revenues by approximately 4.2 million euros and annual income from operations by 2.8 million euros. Conversely, a 5-cent appreciation of the euro against the US dollar (i.e. $1.17/€1) would mechanically reduce annual revenues and income from operations by the same amounts.

The parity is $1.17/€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.

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STATUTORY AUDITORS' REVIEW REPORT ON THE 2020 CONDENSED HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS

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

To the Shareholders of Lectra S.A.,

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

- the review of the accompanying condensed half-year consolidated financial statements of Lectra S.A., for the period from January 1, 2020 to June 30, 2020 ;
- the verification of the information presented in the half-yearly management report.

These condensed half-year consolidated financial statements are the responsibility of the Board of Directors and were approved by the Board of Directors on July 27, 2020 based on the information available at that date and in the evolving context of the Covid-19 pandemic. 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. A review of half-year financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, 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 - standard of the IFRSs as adopted by the European Union applicable to interim financial information.

2. Specific verification

We have also verified the information presented in the half-year management report on the condensed half-year consolidated financial statements approved on July 27, 2020, subject to our review. We have no matters to report as to its fair presentation and consistency with the condensed half-year consolidated financial statements.

Neuilly-sur-Seine and Mérignac, July 27, 2020

The Statutory Auditors

French original signed by

PricewaterhouseCoopers Audit SA	KPMG SA
Matthieu Moussy	Anne Jallet-Auguste