MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS FOR THE FOURTH QUARTER AND FULL YEAR OF 2016

Dear Shareholders,

We report below on Lectra
fourth quarter and full year ending December 31, 2016. Audit procedures have been performed by the Statutory Auditors. The certification report will be issued at the end of the Board of Directors meeting of February 23, 2017.

Detailed comparisons between 2016 and 2015 are based on 2015 e -for-
unless stated otherwise.

1. SUMMARY OF OPERATIONS FOR Q4 2016

With an average parity of $1.08 up 1% compared to Q4 2015 ($1.09
part, the yuan declined 5%. The mechanical impact of currency movements increased revenues by
0.4 million (+4%) at actual exchange rates
compared with like-for-like figures.

Record Orders for New Systems

Following a 15% increase in the first nine months, compared to the same period in 2015, orders for
35.2 million, up 10%, both like-for-like and at actual exchange rates, compared to Q4 2015, which had already registered a high level of orders. These amounted to .1 million,
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expense of 2.6 million. The latter includes .4 million reflecting a re-measurement of the deferred tax position of Lectra SA, resulting from the planned reduction of the corporate income tax rate applicable in France, enacted in the 2017 Budget Act

These results are at a record high for the Company, at the top of the range of expected revenues and income from operations for FY 2016, as indicated on July 28 and confirmed on October 28, as well as for the objectives set at the beginning of the year before the decision to step up the R&D program.

Net income reached 26.7 million, up 3.3 million (+14%) at actual exchange rates.

Increased Free Cash Flow

Free cash flow amounted to 23.8 million, versus 21.5 million in 2015.

A Zero-Debt Company,

At December 31, 2016, 132.6 113 million at December 31, 2015) after payment on May 6 9.3 30 per share) declared in respect of FY 2015.

The Company has been debt free since

Resources were successfully reallocated to the most strategic activities and the most promising market sectors and geographic markets. December 31, 2016 totaled 1,550 people (compared to 1,338 at end-2011), 42% of whom joined in the last five years. Over the same period, the Company boosted training, while bringing its image into sharper focus and

December 31, 2016. Finally, the working capital requirement was a 22.8 million after restatement of the 21.6 million on the French tax administration (*Trésor public*) corresponding to the research tax credit recognized since fiscal year 2013 but not yet received 55.0 or 9.4 million compared to 2012.

Meanwhile, share price multiplied by 3.8

Order Backlog

At December 31, 2016 25.8 2.8 million relative to December 31, 2015 at actual exchange rates.

This backlog comprised 18.3 million in orders for new software licenses and CAD/CAM equipment, including 16 million for shipment in Q1 2017, and the remainder over the rest of the year, and 7.5 million for training and consulting, to be supplied as projects progress.

Gross Profit

191.7 million 2015.

The overall gross profit margin was 73.7%. Like-for-like, it decreased by 1.6 percentage points relative to 2015, primarily as a result of changes in the sales mix.

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

Overhead Costs

154.5 7.8 million (+5%) compared with 2015. They break down as follows:

million in fixed overhead costs (+4%);

5 million in variable costs (+12%).

Total overhead costs increased by 5% at actual exchange rates.

6 million) are fully expensed in the period and included in overhead costs. They represented 8.7
credit and the corresponding portion of the competitiveness and employment tax credit applicable in
15.5 14.3 million in 2015).

Income from Operations and Net Income

Income from operations amounted to 37.3 million, an increase of 5.9 million (+18%) like-for-like and 5.5 million (+17%) at actual exchange rates compared with 2015.

This increase stems from the positive impact of the 7.2 million) and in revenues from new systems sales 5.9 million). These impacts were partly offset by the increase in
6 million), by the decrease in gross profit margins (1.3 million) and from the adverse impact of currency fluctuations (4 million).

The operating margin was 14.3%, up 1 percentage point like-for-like and 0.9 percentage point at actual exchange rates.

Financial income and expenses represented a net charge 0.3 million. Foreign exchange gains and
5 million.

9.9 million, net income amounted to 26.7 million, up 3.3 million (+14%) at actual exchange rates.

Net earnings per share 0.86 on

Free Cash Flow

Free cash flow amounted to 23.8 million 2.3

By accelerating the integration of available new technologies, Lectra aims to significantly boost the value of its offer, reinforce its premium positioning, and hold onto its competitive edge.

Thanks to revolutionary new cloud services, which Lectra started to develop in 2016 and plans to s, the Company will optimize cutting room performance for each type of manufacturing and material. Customers will be able to maximize cutting operations throughput by anticipating production orders very early in the process, reduce total costs, and continually improve processes with new key performance indicators.

The same applies lopment, and fashion collection management software offer. The c capabilities are spawning a multitude of opportunities to automate tasks still performed manually, promoting collaboration between all of the teams involved in the process across a prod

Lectra plans to roll out its first cloud services progressively, starting in 2018.

A New Strategic Roadmap for 2017-2019

Developing the Business Model for Profitable, Long-Term Growth

The 2017-2019 strategic roadmap was framed to enable Lectra to consolidate its global leadership within this new context and achieve sustained growth, while maintaining short-term profitability and continuing to focus activities on its main market sectors, i.e. fashion and apparel, automotive and furniture. Lectra will maintain its premium positioning, primarily targeting the top 5,000 customers or potential customers across the world, compared to 3,000 in the previous roadmap.

Its five strategic objectives are:

- To accelerate revenue growth, both organic and through targeted acquisitions;
- To accentuate technological leadership and leverage new technologies to further enhance the value of its products and services offer;
- To stren -term relationships with customers;
- To progressively transform most of its revenues from new software licenses into recurring subscriptions by establishing a SaaS business model;
- self-finance internal and external development (other than potential acquisitions whose scale might require additional financing).

By implementing a SaaS business model, Lectra will afford customers greater flexibility through subscription or pay-per-use based access to its software offer. At the same time, the progressive SaaS offers with greater added-value will further boost software revenues. This process will have no material impact on the cash position.

In addition to Industry 4.0 and SaaS offers, Lectra is counting on five other accelerators to boost its growth:

- China: as the country upgrades its manufacturing plant and expands its domestic market, supported Made in China 2025 initiative;
- Leather: this is increasingly used in the automotive and furniture industries. Almost all materials are still cut by hand, but cutting processes need to be automated;
- Airbags: due to the growing number being fitted to each vehicle, and to the potential to renew installed bases for older-generation automated cutters;

Finally, subject to shareholder approval at the on April 28, 2017, Lectra could, exceptionally, repurchase its own shares, excluding those covered by the liquidity agreement, up to a maximum of 50 million, in order to tender them in exchange, or as payment, as part of external growth operations.

Progress Reports on the Roadmap

Each year, Lectra will include a status report on the implementation of the 2017-2019 roadmap in the C

2017 Outlook

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

2017 looks unpredictable once again. Persistent macroeconomic, geopolitical, political and currency uncertainties, together with increased risk, are liable to continue to weigh heavily on investment decisions.

As in previous years, the main uncertainty concerns the level of orders for new systems and corresponding revenues

Company Certification of the Fourth Quarter and Fiscal Year 2016 Report

We certify that, to our knowledge, the financial statements of the fourth quarter and fiscal year 2016 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 report on operations for the fourth quarter and for the fiscal year 2016 presents a true and sincere view of the significant events that occurred during the year and their impact on the financial statements, and a description of the main risks and uncertainties faced by the company.

Paris, February 9, 2017

Daniel Harari
Chief Executive Officer

Jérôme Viala
Chief Financial Officer

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

At December 31 (in thousands of euros)	2016	2015
Goodwill	33,334	32,769

CONSOLIDATED INCOME STATEMENT

(in thousands of euros)	Three months ended December 31, 2016	Twelve months ended December 31, 2016	Three months ended December 31, 2015	Twelve months ended December 31, 2015
Revenues	69,418	260,162	62,188	237,886
Cost of goods sold	(18,447)	(68,417)	(15,740)	(58,580)
Gross profit	50,971	191,745	46,448	179,306
Research and development	(3,933)	(15,451)	(4,155)	(14,317)
Selling, general and administrative expenses	(36,364)	(139,013)	(33,436)	(133,169)
Income from operations	10,674	37,281	8,858	31,820
Financial income	52	153	82	245
Financial expenses	(100)	(454)	(111)	(462)
Foreign exchange income (loss)	(124)	(462)	171	(487)
Income before tax	10,502	36,518	8,999	31,116
Income tax	(2,571)	(9,856)	(1,592)	(7,738)
Net income	**7,931**	**26,662**	**7,407**	**23,377**

(in euros)				
Earnings per share:				
- basic	0.25	0.86	0.24	0.76
- diluted	0.25	0.84	0.24	0.74
Shares used in calculating earnings per share				
- basic	31,192,941	30,981,579	30,750,312	30,625,563
- diluted	32,017,556	31,794,646	31,477,282	31,498,591

STATEMENT OF COMPREHENSIVE INCOME

CONSOLIDATED STATEMENT OF CASH FLOWS

Twelve months ended December 31 (in thousands of euros)	2016	2015
I - OPERATING ACTIVITIES		
Net income	26,662	23,377
Net depreciation, amortization and provisions	7,652	7,276
Non-cash operating expenses	(1,515)	(553)
Loss (profit) on sale of fixed assets	90	(5)
Changes in deferred income taxes	(161)	(393)
Changes in inventories	(2,657)	(2,618)
Changes in trade accounts receivable	(3,251)	(2,593)
Changes in other current assets and liabilities	3,717	5,159
Net cash provided by (used in) operating activities	30,537	29,650
II - INVESTING ACTIVITIES		
Purchases of intangible assets	(1,217)	(2,083)

(1) At December 31, 2016 Vietnam (see note 3 hereafter).

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in thousands of euros, except for par value per share expressed in euros)	Share capital: Number of shares	Share capital: Par value per share	Share capital: Share capital	Share premium	Treasury shares	Currency translation adjustments	Retained earnings and net income	Equity
Balance at January 1, 2015	30,329,114	1.00	30,329	7,282	(133)	(8,503)	65,327	94,302
Net income							23,377	23,377
Other comprehensive income						309	290	599
Comprehensive income						309	23,667	23,976
Exercised stock options	457,285	1.00	457	1,737				2,194
Fair value of stock options							167	167
Sale (purchase) of treasury shares					(70)			(70)
Profit (loss) on treasury shares							30	30
Dividends paid							(7,646)	(7,646)
Balance at December 31, 2015	30,786,399	1.00	30,786	9,018	(203)	(8,194)	81,547	112,955
Net income							26,662	26,662
Other comprehensive income						(343)	(106)	(449)
Comprehensive income						(343)	26,556	26,213
Exercised stock options	461,155	1.00	461	1,893				2,354
Fair value of stock options							142	142
Sale (purchase) of treasury shares					112			112
Profit (loss) on treasury shares							81	81
Dividends paid							(9,274)	(9,274)
Balance at December 31, 2016	**31,247,554**	**1.00**	**31,248**	**10,912**	**(91)**	**(8,537)**	**99,052**	**132,583**

-for-

in comparison with actual data for 2015.

Critical Accounting Estimates and Judgments

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

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

Revenues

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

For hardware, these conditions are fulfilled upon physical transfer of the hardware in accordance with

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

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

Free Cash Flow

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

Operating Segments

systems. The operating segments presented in note 6 are identical to those covered by the information regularly communicated to the Executive Committee,

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

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financial position of the Group was immaterial, the bulk of sales in this country having been until then billed by Lectra SA.

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

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

Four sales and service subsidiaries are not consolidated, their revenues being immaterial both separately and combined. At December

4.

5. BREAKDOWN OF REVENUES LIKE-FOR-LIKE CHANGE

5.1. Q4 2016

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

(2) Recurring revenues fall into two categories:
- Recurring contracts: software evolution and online services contracts, and CAD/CAM equipment maintenance and online services

6. OPERATING SEGMENTS INFORMATION

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

The standard gross profit margins used to determine the performance of operating segments have been changed from January 1, 2016, to take into acco

9. TREASURY SHARES

Since January 1, 2016, the company has purchased

The parity is $1.07

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.