MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS FOR FIRST-QUARTER 2018

Dear Shareholders,

We report below on Lectra Group's business activity and consolidated financial statements for the first quarter ending March 31, 2018.

Detailed comparisons between 2018 and 2017 are based on 2017 exchange rates ("like-for-like") unless otherwise stated.

The Company has begun selling some of its software solutions on a subscription basis, using the Software-as-a-Service (SaaS) model. In parallel, these new software offers, set to ramp-up progressively starting in 2018, will be sold only in SaaS mode. To provide better comparability with prior years, the Company has decided to report subscription software sales within the amount of orders, by multiplying the annual value of the corresponding contracts by 2.2. This coefficient enables to calculate the amount an order would represent, had it been sold as a perpetual license, together with an evolution contract. The orders for CAD/CAM and PLM software raised concern among many companies, particularly in the automotive industry, prompting them to delay their investment decisions.

In these circumstances, Q1 orders for new systems (ú28.2 million) were 7% lower than in Q1 2017 like-for-like and 13% lower at actual exchange rates.

This decline is entirely due to the automotive market (-54%), as customers postponed many orders expected in Q1. Fashion orders were up 31%, and furniture orders rose by 61%.

Orders for new CAD/CAM and PLM software licenses (ú3.8 million) and for training and consulting (ú3 million) were stable;

The working capital requirement was a negative ú2.5 million. This includes a receivable of ú22 million on the French tax administration (*Trésor public*) corresponding to the research tax credits and the competitiveness and employment tax credit recognized since fiscal year 2014 (ú19.7 million at December 31, 2017), which have not yet been received or offset against income tax. Restated for this receivable, the working capital requirement was a negative ú24.5 million, a key feature of the Groupõs business model.

When these tax credits cannot be deducted from corporate income tax, they are treated as a receivable on the French tax administration. If unused in the ensuing three years, they are reimbursed to the Company in the fourth year (see note 8 of the notes to this report).

3. SHARE CAPITAL OWNERSHIP SHARE PRICE PERFORMA

4. SIGNIFICANT POST-CLOSING EVENTS

Company Certification of the First Quarter 2018 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 financial results of the Company and of its consolidated companies. We further certify that the first quarter report on operations presents a true and sincere view of the significant events that occurred during the first three months of the fiscal year and their impact on the financial statements, and a description of the main risks and uncertainties for the coming nine months.

Paris, April 26, 2018

Daniel Harari Chairman and Chief Executive Officer	Olivier du Chesnay Chief Financial Officer

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

(in thousands of euros)	March 31, 2018	December 31, 2017	March 31, 2017
Goodwill	38,858	32,105	33,265
Other intangible assets	3,403	3,402	3,899
Property, plant and equipment	25,098	24,444	21,881
Non-current financial assets	2,296	2,566	2,351
Deferred tax assets	9,423	9,266	9,562
Total non-current assets	79,078	71,783	70,958
Inventories	33,972	31,133	27,021
Trade accounts receivable	50,752	55,065	50,647
Other current assets	32,097	28,719	33,511
Cash and cash equivalents	93,565	98,134	90,034
Total current assets	210,386	213,051	201,213
Total assets	**289,464**	**284,834**	**272,171**

EQUITY AND LIABILITIES

(in thousands of euros)	March 31, 2018	December 31, 2017	March 31, 2017
Share capital	31,646	31,571	31,350
Share premium	12,635	12,270	11,298
Treasury shares	(516)	(298)	(137)
Currency translation adjustments	(10,060)	(9,872)	(8,616)
Retained earnings and net income	123,037	117,538	105,605
Total equity	156,741	151,209	139,500
Retirement benefit obligations	9,681	9,518	9,100
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Total non-current liabilities	9,681	9,518	9,100
Trade and other current payables	58,793	62,399	60,514
Deferred revenues	54,477	5TJETBT1 0 90ngs0	

CONSOLIDATED INCOME STATEMENT

(in thousands of euros)	Three months ended March 31, 2018	Three months ended March 31, 2017
Revenues	67,198	69,488
Cost of goods sold	(19,216)	(18,433)
Gross profit	47,983	51,055
Research and development[(1)]	(5,967)	(5,232)
Selling, general and administrative expenses [(1)]	(34,840)	(36,462)
Income from operations	7,176	9,361
Financial income	21	33
Financial expenses	(103)	(133)
Foreign exchange income (loss)	(229)	(454)
Income before tax	6,865	8,807
Income tax	(1,467)	(2,312)
Net income	**5,399**	**6,495**

(in euros)		
Earnings per share:		
- basic	0.17	0.21
- diluted	0.17	0.20
Shares used in calculating earnings per share		
- basic	31,587,792	31,270,327
- diluted	32,363,230	32,188,293

(1) In 2018, the scope of R&D teams was reviewed to encompass the teams involved in the design and development of

STATEMENT OF COMPREHENSIVE INCOME

(in thousands of euros)	Three months ended March 31, 2018

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in thousands of euros, except for par value per share expressed in euros)	Number of shares	Share capital Par value per share	Share capital	Share premium	Treasury shares	Currency translation adjustments	Retained earnings and net income	Equity
Balance at January 1, 2017	31,247,554	1.00	31,248	10,912				

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT MARCH 31,

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, consu

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 are not recognized separately from these.

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.

Revenues from sales of hardware and perpetual software licenses are recognized when the control has been transferred to the purchaser. For hardware, these conditions are fulfilled upon physical transfer of the hardware in accordance with the contractual sale terms. For perpetual software licenses, 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 subscription sales of software are spread over the duration of the customer's commitment. CD

The entire acquisition of Kubix Lab was made for an amount of ú7.2 million:

- ú3 million paid when the acquisition agreement was signed;
- ú1.3 million and ú2.7 million to be paid respectively 18 and 36 months after the signature, providing objectives are met;
- A price adjustment of ú0.2 million relating to previous yearsô earnings that had not been distributed to the previous shareholders prior to the acquisition.

As the Company believes the probability of objectives being met as high, and as the conditional amounts were already paid out on an escrow account, the acquisition cost for Lectra has been entirely disclosed under the heading óAcquisition cost for companies purchasedô in the statement of cash-flows, net of cash acquired, for an amount of ú7.1 million.

Kubix Lab has been fully consolidated since January 26, 2018.

Finally, the purchase price allocation has been made and the main impact on the Groupõs financial statements is the goodwill recorded for an amount of ú7 million.

There was no other change in the scope of consolidation during the first quarter of 2018.

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

In October 2017, the Group had also liquidated its subsidiary Lectra Israel Ltd, which was not consolidated (liquidation with no impact on the income statement or cash position of the Group).

Three sales and service subsidiaries are not consolidated, their revenues being immaterial both separately and combined. At March 31, 2018, their combined revenues totaled ú0.2 million, and their combined assets totaled ú2.5 million. They had no financial debt outside of the Group. Most of the sales activity of these subsidiaries is billed directly by Lectra SA.

Transactions with these subsidiaries mainly concern purchases from Lectra SA for the purposes of their local operations, or charges and commissions billed to Lectra SA in order to cover their overheads when they act as agents. The amount concerned by these transactions was not significant at March 31, 2018.

4. CONSOLIDATED STATEMENT OF INCOMEð LIKE-FOR-LIKE CHANGE

(in thousands of euros)	Actual	At 2017 exchange rates	2017 Actual	Actual	Like-for-like
Revenues	67,198	71,726	69,488	-3%	+3%
Cost of goods sold	(19,216)	(19,642)	(18,433)	+4%	+7%
Gross profit	47,983	52,084	51,055	-6%	+2%
(in % of revenues)	71.4%	72.6%	73.5%	-2.1 points	-0.9 points
Research and development[(1)]	(5,967)	(5,967)	(5,232)	+14%	+14%
Selling, general and administrative expenses[(1)]	(34,840)	(36,298)	(36,462)	-4%	0%
Income from operations	7,176	9,819	9,361	-23%	+5%
(in % of revenues)	10.7%	13.7%	13.5%	-2.8 points	+0.2 points
Income before tax	6,865	9,508	8,807	-22%	+8%
Income tax	(1,467)	na	(2,312)	-37%	na
Net income	5,399	na	6,495	-17%	na
	1.23	*1.06*	*1.06*		

(1) *offer.*

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5. REAKDOWN OF REVENUESð LIKE-FOR-LIKE CHANGE

Revenues by region

	Three Months Ended March 31						
	2018		2017			Changes 2018/2017	
(in thousands of euros)	Actual	%	At 2017 exchange rates	Actual	%	Actual	Like-for-like
Europe, of which:	28,358	42%	28,481	28,646	41%	-1%	-1%
- France	4,281	6%	4,276	4,732	7%	-10%	-10%
Americas	16,718	25%	19,285	17,222	25%	-3%	+12%
Asia-Pacific	18,119	27%	19,843	19,278	28%	-6%	+3%
Other countries	4,003	6%	4,117	4,342	6%	-8%	-5%
Total	67,198	100%	71,726	69,488	100%	-3%	+3%
	1.23		*1.06*	*1.06*			

Revenues by type of business

	Three Months Ended March 31						
	2018		2017			Changes 2018/2017	
(in thousands of euros)	Actual	%	At 2017 exchange rates	Actual	%	Actual	Like-for-like
New CAD/CAM and PLM software licenses	3,723	6%	3,896	4,097	6%	-9%	-5%
CAD/CAM and PLM software evolution and online services contracts	9,440	14%	9,870	9,512	14%	-1%	+4%
CAD/CAM equipment and accompanying software	21,354	32%	23,083	23,165	33%	-8%	0%
CAD/CAM equipment and accompanying software maintenance and online services contracts	12,796	19%	13,693	12,460	18%	+3%	+10%
Consumables and parts	16,072	24%	17,195	16,463	23%	-2%	+4%
Training and consulting services	3,229	5%	3,378	3,262	5%	-1%	+4%
Miscellaneous	583	1%	610	529	1%	+10%	+15%
Total	67,198	100%	71,726	69,488	100%	-3%	+3%
	1.23		*1.06*	*1.06*			

(1) Revenues from sales of new systems comprise sales of new CAD/CAM and PLM software licenses, CAD/CAM equipment and accompanying software

7. CONSOLIDATED CASH FLOW SUMMARY

(1) Resulting solely from the exercise of stock options.
(2) Carried out solely under the liquidity agreement administered by Exane BNP Paribas (see note 9).
(3) Acquisition cost of Kubix Lab (see note 3).

Free cash flow at March 31, 2018, was ú2.5 million. This figure results from a combination of ú4.2 million in cash flows provided by operating activities (including an increase in working capital requirement of ú3.1 million) and capital expenditures of ú1.7 million.

The main variations in working capital requirement were:

- ī ú6.1 million corresponding to the decrease in trade accounts receivable following the cash receipt of a significant portion of the recurring contracts at the beginning of the year, usually yearly in advance (the variation in trade accounts receivable shown in the consolidated statement of cash flows includes ôDeferred revenuesô in the statement of financial position, which for the most part comprises the share of recurring contracts billed but not yet recognized in revenues);
- +ú3.2 million corresponding to the increase in inventories;
- +ú2.3 million arising from the increase of the receivable on the French tax administration (*Trésor public*) corresponding to the research tax credit and the competitiveness and employment tax credit for Q1 2018 accounted for but not received, after deduction from the corporate income tax due by Lectra SA (see note 8 hereafter);
- +ú6.1 million arising from the difference between the variable portion of salaries for the Group in respect of fiscal 2017 paid mainly in 2018, and the one recognized during Q1 2018 and payable in 2019;
- ī ú2.4 million arising from the change in trade accounts payable and other current assets and liabilities; taken individually, these changes are all immaterial.

The working capital requirement at March 31, 2018 was negative at ú2.5 million. It comprised the receivable of ú22 million on the French tax administration in respect of the research tax credit and the competitiveness and employment tax credit, which have not been received and have not been deducted from the corporate income tax. Restated for this receivable, the working capital requirement was negative at ú24.5 million, which is a key feature of the Groupôs business model.

8. RESEARCH TAX CREDIT ï COMPETITIVENESS AND EMPLOYMENT TAX CREDIT

When the research tax credit and the competitiveness and employment tax credit applicable in France

11. FOREIGN EXCHANGE RISK

The Group's currency risk management policy is unchanged relative to December 31, 2017.

During Q1 2018