

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 (-

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

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 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, willu27 Tm0 dpl()71 the first

ADDITIONAL INFORMATION SECOND QUARTER 2020

ORDERS FOR NEW SYSTEMS LIKE-FOR-LIKE

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

(in thousands of euros)	2020		Three Months Ended June 30 2019			Actual	Like-for-like
			At 2019 exchange rates				
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

(in thousands of euros)	2020		Three Months Ended June 30 2019			Actual	Like-for-like
			At 2019 exchange rates				
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			

CONSOLIDATED INCOME STATEMENT LIKE-FOR-LIKE

	Three Months Ended June 30				
	2020		2019	Changes 2020/2019	
	Actual	At 2019 exchange rates	Actual	Actual	Like-for-like
<i>(in thousands of euros)</i>					
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%
<i>(in % of revenues)</i>	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%
<i>(in % of revenues)</i>	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
<i>/ \$ average parity</i>	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

(in thousands of euros)	2020		Six Months Ended June 30			Actual	Like-for-like
			2019				
			At 2019 exchange rates				
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%
	1.10		1.13	1.13			

1.2. by region

(in thousands of euros)	2020		Six Months Ended June 30			Actual	Like-for-like
			2019				
			At 2019 exchange rates				

BREAKDOWN OF REVENUES LIKE-FOR-LIKE

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

CONSOLIDATED STATEMENT OF CASH FLOWS

(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.

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

Critical accounting estimates and judgments

Preparation of the financial statements in accordance with IFRS demands that certain critical accounting

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
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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

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 , 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

5. 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 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

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

9. FOREIGN EXCHANGE RISK

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In H1 2020, the average parity between the US dollar and the euro was \$1.10

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 the cancellation of certain fixed costs and the reduction of variable costs.

