MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS FOR THE THIRD QUARTER AND FIRST NINE MONTHS OF 2015

Dear Shareholders,

We report below on Lectra Group's business activity and consolidated financial statements for the third quarter and first nine months of 2015, ending September 30. Financial statements at September 30 have not been reviewed by the Statutory Auditors.

Unless stated otherwise, comparisons are at actual exchange rates. When mentioned, "like-for-like" comparisons between 2015 and 2014 correspond to 2015 figures restated at 2014 exchange rates.

1. SUMMARY OF OPERATIONS FOR Q3 2015

With an average parity of $1.11/€1 in Q3, the US dollar was up 19% compared to Q3 2014 ($1.33/€1). For its part, the yuan appreciated 17%. The appreciation of the US dollar, together with that of the yuan and other currencies, mechanically increased revenues by €3.5 million (+6%) and income from operations by €1.8 million (+22%) at actual exchange rates compared with like-for-like figures.

A More Difficult than Expected Macroeconomic Context

Since July 1, the macroeconomic context has continued to deteriorate, mainly due to the Chinese economy's confirmed slowdown and its repercussions on all Asian countries, which are very dependent upon China, as well as on raw material-exporting countries, and Brazil's and Turkey's further downturn. In general, the business environment worldwide is less favorable. Customers within Lectra's market sectors have consequently decreased their investment levels due to a lack of visibility and increasing concerns.

Orders for New Systems Below Company Expectations

Orders for new systems totaled €22.9 million, down 3% (–9% like-for-like) compared with Q3 2014 (€23.7 million). They were €21.3 million and €26.2 million respectively in Q1 and Q2 2015.

Orders for new software licenses (€5.4 million) were down 5%, those for CAD/CAM equipment (€13.5 million) down 8%. Orders for training and consulting (€3.4 million) rose by 28%.

Revenues and Income from Operations Up Sharply

Revenues totaled €59.3 million, up 10% compared with Q3 2014 (+4% like-for-like).

Revenues from new systems sales increased by 6% (stable like-for-like), recurring revenues by 14% (+7% like-for-like): +11% for recurring contracts (+5% like-for-like), +17% for consumables and spare parts (+9% like-for-like).

Income from operations amounted to €9.8 million, increasing by €2.4 million (+33%). Like-for-like, the increase was 8%.

The operating margin amounted to 16.5%, increasing by 2.8 percentage points (+0.7 percentage points like-for-like).

Net income amounted to €7 million, up €1.8 million (+35%).

Finally, free cash flow was €10.8 million (€2.7 million in Q3 2014). This includes the receipt of €4.8 million relating to the 2011 non-deducted French research tax credit.

Transformation Plan Progress

In its February 11, 2015 report, the company reiterated its complete strategic roadmap for 2013-2016, as well as its transformation plan and €50 million investments for the future program, launched at the end of 2011 for the period 2012-2015, and presented its second progress report.

The company has actively continued to execute the plan. The next progress report will be communicated on February 11, 2016.

2. SUMMARY OF OPERATIONS FOR FIRST NINE MONTHS 2015 AND CONSOLIDATED FINANCIAL STATEMENTS

Positive Impact from Weaker Euro

With an average parity of \$1.11/€1, the US dollar was up 22% compared with the first nine months of 2014 (\$1.36/€1). For its part, the yuan appreciated 20%. The Central Bank of China's decisions in August had a limited effect, with the yuan depreciating 4% against the euro from August 10 to September 30.

The sharp fall in the euro since summer 2014 has been a major event for the company. Lectra has significantly bolstered its competitive position worldwide. Indeed, Lectra has opted to maintain its R&D and manufacturing in France, while investing in innovation to enhance its competitiveness. Most of Lectra's production costs are thus euro-denominated, with practically zero inflation. Conversely, most of its competitors—especially the main one, a US company—manufacture their equipment in China. Consequently their operating costs, essentially yuan-denominated, are subject not only to continuously rising wages and social charges, but also to higher inflation.

Moreover, for all players, sale prices in North America and Asia are mainly expressed in US dollars, or in yuan in China. Competitors manufacturing in China have maintained their sale prices for these markets and are starting to raise them in Europe in order to avoid an excessive decline in margins.

Overall, exchange rate variations have mechanically had a major impact on Lectra, boosting revenues by €13.2 million (+8%) and income from operations by €7.1 million (+44%) for the first nine months at actual exchange rates compared with like-for-like figures.

Complex Effects Due to Strong Exchange Rate Fluctuations

The few European vendors specialized in CAM equipment that have maintained their production in Europe, meanwhile, have similarly benefited from the currency movements, and have cut their sale prices in Asia and in North and South America in order to expand their market shares.

At the same time, Lectra customers' competitive situations have altered radically, either improving or deteriorating, depending on the location of their production and sales.

Those European companies that have outsourced their production or made their purchases in China must adjust to rising import costs by revising their supply strategy. Chinese manufacturers, less competitive than before, are experiencing a decline in orders from European customers, resulting in overcapacity, which in turn has negatively impacted their investment decisions. The same applies to companies in emerging countries that have witnessed a strong depreciation of local currency against the dollar (the first of which was Brazil, with the real falling by 45% since the summer of 2014), which has significantly increased their investment costs.

In this context, sales price adjustments were made by the company at the beginning of September.

Given the complex effects produced by such sharp fluctuations in currency parities, like-for-like comparisons become decreasingly relevant.

Very Strong Earnings Growth

Revenues totaled €175.7 million, up 14% compared with the first nine months of 2014, income from operations reached €23 million and net income €16 million, up 73% and 66%, respectively.

Like-for-like, revenues grew by 6% and income from operations by 20%.

Income from Operations Ahead of The Company's Roadmap at Actual Exchange Rates, but Lagging Behind Like-for-Like

The roadmap corresponding to the company's annual objective communicated on February 11, 2015 anticipated first nine month revenues of €176.8 million and income from operations of €20.4 million (based on exchange rates at December 15, 2014, notably $1.25/€1).

Revenues were thus almost in line with the roadmap and income from operations was ahead by €2.6 million.

At the exchange rates used when setting the 2015 objectives, revenues and income from operations were €167.2 million and €18.5 million respectively, lagging behind the roadmap €9.6 million (–5%) and €1.9 million (–9%) respectively.

Orders for New Systems

Orders for new systems amounted to €70.3 million, up 4% compared with the first nine months of 2014. Like-for-like, they were down 4% and remained significantly below company expectations of a rise of above 15%.

Orders for new software licenses (€17.1 million) were up 5%, and CAD/CAM equipment (€42.5 million) by 6%. Training and consulting (€9.2 million) were down 4%, in the absence of significant new projects signed in the first half.

Geographically, the situation is highly contrasted: orders in the Americas increased by 33% (+44% in North America and +5% in South America), but were down 3% in Europe and 6% in Asia-Pacific; they increased by 5% in the rest of the world (Northern Africa, South Africa, Turkey, the Middle East, etc.).

Orders were up 5% in the fashion and apparel market and down 13% in the automotive market. They were up more than threefold in furniture, while falling 33% in other industries. These markets respectively accounted for 53%, 30%, 12% and 5% of total orders.

Revenues

Revenues totaled €175.7 million, up 14% (+6% like-for-like) compared with the first nine months of 2014.

Revenues increased in all regions: +7% in Europe, +27% in the Americas, +15% in Asia-Pacific, and +15% in the rest of the world. These regions respectively accounted for 43% (including 7% for France), 27%, 24%, and 6% of total revenues. In 2014, these regions respectively accounted for 46% (including 8% for France), 24%, 24%, and 6% of total revenues.

Revenues from New Systems Sales

Overall, revenues from new systems sales (€73.3 million) increased by 15% (+5% like-for-like). They represented 42% of total revenues, as in 2014.

Revenues from new software licenses (€17.8 million) increased by 12% and accounted for 10% of total revenues (10% in 2014).

CAD/CAM equipment revenues (€44.9 million) were up 16% and accounted for 26% of total revenues (25% in 2014).

Training and consulting increased by 18% to €9.1 million and accounted for 5% of total revenues (5% in 2014).

Revenues from Recurring Contracts and Consumables and Spare Parts

Recurring revenues (€102.4 million) increased by 14% (+6% like-for-like). As in 2014, they accounted for 58% of total revenues.

Revenues from recurring contracts—which contributed to 58% of recurring revenues and 34% of total revenues—totaled €59.4 million, a 13% increase (+6% like-for-like), thus improving the growth dynamics recorded throughout the whole of fiscal 2014 (+4%):

- Revenues from software evolution and online services contracts (€34.3 million), up 12% compared with 2014, represented 20% of total revenues;
- Revenues from CAD/CAM equipment maintenance and online services contracts (€25.1 million), which increased by 14%, contributed to 14% of total revenues.

Revenues from consumables and spare parts (€42.9 million), meanwhile, increased by 15% (+7% like-for-like) and represented 24% of total revenues, as in 2014.

Order Backlog

At September 30, 2015, the order backlog for new systems (€16.9 million) was down €2.7 million relative to December 31, 2014.

This figure comprises orders for new software licenses and CAD/CAM equipment totaling €11 million, of which €9.5 million for shipment in Q4 2015; and €5.9 million in orders for training and consulting, to be delivered as projects progress.

Gross Profit

Gross profit amounted to €132.9 million. The €19.6 million increase relative to the first nine months of 2014 represents 90% of the growth in revenues.

The overall gross profit margin was 75.6%. It increased by 2 percentage points relative to the first nine months of 2014, given the combined effects of exchange rate variations and a new improvement in gross profit margins. Like-for-like, the overall gross profit margin increased by 0.8 percentage points.

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 recognized in selling, general, and administrative expenses.

Overhead Costs

Total overhead costs were €109.9 million, up 10% (+5% like-for-like).

The breakdown is as follows:

- €99.2 million in fixed overhead costs (+11%; +6% like-for-like). Investments for the future in connection with the transformation plan, which are fully expensed, represented €12.9 million, or 13% of the total amount;
- €10.7 million in variable costs (+1%; –7% like-for-like).

R&D costs are fully expensed in the period and included in overhead costs. R&D costs amounted to €16.5 million and represented 9.4% of revenues (€15.7 million and 10.2% for the first nine months of 2014). After deducting the research tax credit and the corresponding portion of the competitiveness and employment tax credit applicable in France and grants accounted for since the beginning of the year, net R&D costs amounted to €10.2 million (€9.4 million in 2014).

Income from Operations and Net Income

Income from operations was €23 million, an increase of €9.7 million (+73%). At like-for-like, it increased by 20%.

This increase of €9.7 million stems from the growth in revenues from new systems sales (€3 million), in recurring revenues (€4.1 million), in gross profit margins (€1.2 million), and from the positive impact of currency fluctuations (€7.1 million). These impacts were partly offset by the natural increase in fixed overhead costs (€3.3 million), and the increase in investments for the future related to the company's transformation plan (€2.4 million).

The operating margin was 13.1%, up 4.5 percentage points (+1.2 percentage points like-for-like).

Financial income and expenses represented a net charge of €0.2 million. Foreign exchange gains and losses generated a net loss of €0.7 million.

After an income tax expense of €6.1 million, net income amounted to €16 million, up 66% (€9.6 million for the first nine months of 2014).

Net earnings per share were €0.52 on basic capital and €0.51 on diluted capital (€0.32 on basic capital and €0.31 on diluted capital for the first nine months of 2014).

Free Cash Flow

Free cash flow amounted to €14.8 million. It was €9.3 million for the first nine months of 2014. This includes the receipt of €4.8 million corresponding to the non-deducted research tax credit for fiscal 2011.

The research tax credit (€5.4 million) and the competitiveness and employment tax credit (€0.6 million) for the first nine months of 2015, applicable in France, were accounted for but not received. If they had been received, free cash flow would have been €16 million, excluding the 2011 research tax credit reimbursement.

Shareholders' Equity

At September 30, 2015, shareholders' equity increased by €11 million compared to December 31, 2014 and reached €105.3 million, after payment of the dividend of €7.6 million (€0.25 per share) declared in respect of FY 2014.

The figure for shareholders' equity is calculated after deduction of treasury shares held under the Liquidity Agreement and carried at cost, i.e. €0.4 million (€0.1 million at December 31, 2014).

The company was debt free as of March 31, 2015. Cash and cash equivalents as well as net cash position amounted to €52 million. The net cash position was €43.1 million at December 31, 2014.

The working capital requirement was negative at €0.5 million. This includes the receivable of €22.8 million on the French tax administration *(Trésor public)* corresponding to the research tax credit recognized since fiscal year 2012, which have not yet been received or offset against income tax. Restated for this receivable, the working capital requirement was negative at €23.3 million, a key feature of the Group's 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 repaid to the company in the course of the fourth year.

3. SHARE CAPITAL – OWNERSHIP – SHARE PRICE PERFORMANCE

Change in Share Capital

At September 30, 2015, the share capital totaled €30,765,558, divided into 30,765,558 shares with a par value of €1.00.

Share capital has increased by €436,444 (with a total share premium of €1,657,940) due to the creation of 436,444 shares since January 1, 2015, resulting from the exercise of stock options.

In February 2015, Schroder Investment Management Ltd (UK), and Delta Lloyd Asset Management NV (Netherlands), acting on behalf of funds and clients under management, reported that they decreased their shareholding below the threshold of 10% of the company's capital stock and voting rights. No other crossing of statutory thresholds has been notified to the company since January 1, 2015.

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

- André Harari and Daniel Harari, who together hold 36.1% of the capital and 35.8% of the voting rights;
- Delta Lloyd Asset Management NV and Schroder Investment Management Ltd, which each hold more than 5% (but less than 10%) of the capital and the voting rights, on behalf of investment funds and clients under management.

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

Treasury Shares

At September 30, 2015, the company held 0.1% 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 September 30, 2015, was €9.90, up 8% compared with December 31, 2014 (€9.14). During the first nine months of 2015, it reached a low of €8.98 on January 6 and a high of €14.65 on July 30. The CAC 40 index and the CAC Mid & Small index rose 4% and 8% respectively over the period.

Following an 81% increase between October 1, 2014 and its peak on July 30, 2015, the company's share price dropped 32%, reducing its increase to 22% over the past 12 months, while the CAC 40 index and the CAC Mid & Small index have gained 1% and 12% respectively.

According to Euronext statistics, the number of shares traded on Euronext (7.1 million) was up 50%, and trading volumes (€85.1 million) up 125% compared with 2014. These figures do not include trading on any other trading platform.

4. SIGNIFICANT POST-CLOSING EVENTS SINCE SEPTEMBER 30

No significant event has occurred.

5. FINANCIAL CALENDAR

The Q4 and fiscal 2015 financial results will be published on February 11, 2016, after close of trading on Euronext.

6. BUSINESS TRENDS AND OUTLOOK

In its February 11, 2015 financial report and its 2014 annual report, to which readers are invited to refer, the company has developed its business trends and outlook, underlining that, as for 2014, the year 2015 looked unpredictable.

The company thereafter indicated, in its July 30, 2015 financial report, that the shortfall in orders for new systems in the first half compared to expectations would not enable the company to meet the objectives it had set for fiscal 2015 at the beginning of the year, based on the exchange rates used in setting them, notably $1.25/€1. The company stated it should however achieve the corresponding figures and changes at actual exchange rates, based on the forecast parities used for the second half of the year, notably $1.10/€1: total revenues of approximately €240 million (+14% relative to 2014), with income from operations before non-recurring items of around €29 million (+47%), an operating margin before non-recurring items of 12% (+2.6 percentage points) and net income of around €20 million (+39%).

Given Q3 2015 financial results and business activity expected for the remaining part of the year, based on the forecast parities used for Q4, notably $1.11/€1, fiscal 2015 revenues should be slightly below the figure communicated on July 30, between €235 and €238 million, and income from operations above, between €30 and €32 million.

Visibility remains limited and caution must be maintained.

While orders for new systems in 2015 have fallen short of the company's roadmap, for reasons indicated in this report, all other financial parameters—recurring revenues, gross profit margins, fixed overhead costs and free cash flow—were met.

Given the transformation plan's expected positive effects, the acceleration of orders for new systems should occur once the macroeconomic context has stabilized and normalized.

More than ever before, the whole company is focused on accelerating the growth of its sales activity.

The 2016 objectives will be published on February 11, 2016.

Bolstered by the strength of its business model, even more robust operating fundamentals, a further reinforced balance sheet, and the relevance of its strategic roadmap, the company remains confident in its growth prospects for the medium term.

The Board of Directors

October 29, 2015

Company Certification of the Report for the Third Quarter and First Nine Months of 2015

We certify that, to our knowledge, the financial statements for the third quarter and the first nine months of 2015 have been prepared in accordance with currently applicable accounting standards and provide a fair view of the assets, financial condition, and results of the company and of its consolidated companies. We further certify that the report on operations for the third quarter and first nine months presents a true and sincere view of the significant events that occurred during the first nine months of the fiscal year and their impact on the financial statements, as well as a description of the main risks and uncertainties for the remaining three months of the fiscal year.

Paris, October 29, 2015

Daniel Harari	Jérôme Viala
Chief Executive Officer	Chief Financial Officer

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS (in thousands of euros)	September 30, 2015	December 31, 2014 (1)	September 30, 2014 (1)
Goodwill	32,479	31,724	31,409
Other intangible assets	4,907	4,406	4,326
Property, plant and equipment	18,159	16,447	15,297
Non-current financial assets	1,735	2,048	1,891
Deferred tax assets	7,818	8,005	7,577
Total non-current assets	65,098	62,630	60,500
Inventories	23,082	21,848	21,966
Trade accounts receivable	38,723	50,531	37,723
Other current assets	32,757	32,149	37,083
Cash and cash equivalents	52,043	43,484	32,485
Total current assets	146,605	148,012	129,257
Total assets	**211,703**	**210,642**	**189,757**

EQUITY AND LIABILITIES (in thousands of euros)	September 30, 2015	December 31, 2014 (1)	September 30, 2014 (1)
Share capital	30,766	30,329	30,154
Share premium	8,940	7,282	6,666
Treasury shares	(359)	(133)	(214)
Currency translation adjustments	(7,999)	(8,503)	(8,638)
Retained earnings and net income	73,905	65,327	61,073
Total equity	105,252	94,302	89,041
Retirement benefit obligations	8,552	8,479	7,888
Borrowings, non-current portion	-	-	-
Total non-current liabilities	8,552	8,479	7,888
Trade and other current payables	52,111	53,216	47,957
Deferred revenues	40,037	48,096	37,808
Current income tax liabilities	2,867	2,857	3,310
Borrowings, current portion	-	394	394
Provisions for other liabilities and charges	2,884	3,298	3,359
Total current liabilities	97,899	107,861	92,828
Total equity and liabilities	**211,703**	**210,642**	**189,757**

(1) The impact of the application of IFRIC 21 – Levies with effect from January 1, 2015, is restated retrospectively in the consolidated statement of financial position at September 30, 2014 and at December 31, 2014 (see note 2 "Summary of accounting rules and methods").

CONSOLIDATED INCOME STATEMENT

(in thousands of euros)	Three months ended September 30, 2015	Nine months ended September 30, 2015	Three months ended September 30, 2014 (1)	Nine months ended September 30, 2014 (1)
Revenues	59,269	175,697	53,751	153,909
Cost of goods sold	(14,645)	(42,840)	(13,851)	(40,652)
Gross profit	44,624	132,857	39,900	113,257
Research and development	(3,015)	(10,162)	(2,905)	(9,355)
Selling, general and administrative expenses	(31,821)	(99,733)	(29,608)	(90,648)
Income (loss) from operations	9,788	22,962	7,387	13,254
Financial income	35	163	135	378
Financial expenses	(121)	(351)	(104)	(334)
Foreign exchange income (loss)	(247)	(658)	18	(242)
Income (loss) before tax	9,456	22,116	7,436	13,056
Income tax	(2,478)	(6,146)	(2,275)	(3,456)
Net income (loss)	**6,978**	**15,970**	**5,161**	**9,600**

(in euros)				
Earnings per share:				
- basic	0.23	0.52	0.17	0.32
- diluted	0.22	0.51	0.17	0.31
Shares used in calculating earnings per share				
- basic	30,720,879	30,583,524	30,064,575	29,876,435
- diluted	31,528,599	31,497,737	30,762,342	30,685,142

STATEMENT OF COMPREHENSIVE INCOME

(in thousands of euros)	Three months ended September 30, 2015	Nine months ended September 30, 2015	Three months ended September 30, 2014 (1)	Nine months ended September 30, 2014 (1)
Net income (loss)	6,978	15,970	5,161	9,600
Currency translation adjustments	51	419	167	83
Tax effect	85	85	-	-
Other comprehensive income (loss) to be reclassified in net income (loss)	136	504	167	83
Remeasurement of the net liability arising from defined benefits pension plans	-	169	-	(95)
Tax effect	-	(43)	-	28
Other comprehensive income (loss) not to be reclassified in net income (loss)	0	126	0	(67)
Total other comprehensive income	136	630	167	16
Comprehensive income (loss)	**7,114**	**16,600**	**5,328**	**9,616**

(1) The impact of the application of IFRIC 21 – Levies with effect from January 1, 2015, is restated retrospectively in the consolidated income statement at September 30, 2014 (see note 2 "Summary of accounting rules and methods").

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of euros)	Nine months ended September 30, 2015	Nine months ended September 30, 2014[1]
I - OPERATING ACTIVITIES		
Net income (loss)	15,970	9,600
Net depreciation, amortization and provisions	5,740	3,021
Non-cash operating expenses	(268)	(571)
Loss (profit) on sale of fixed assets	38	3
Changes in deferred income taxes, net value	427	(44)
Changes in inventories	(2,620)	(1,163)
Changes in trade accounts receivable	2,301	6,626
Changes in other current assets and liabilities	(1,970)	(4,053)
Net cash provided by (used in) operating activities	19,618	13,419
II - INVESTING ACTIVITIES		
Purchases of intangible assets	(1,683)	(1,350)
Purchases of property, plant and equipment	(3,509)	(2,991)
Proceeds from sales of intangible assets and property, plant and equipment	12	8
Acquisition cost of activities purchased[2]	-	(1,560)
Purchases of financial assets[3]	(2,190)	(1,773)
Proceeds from sales of financial assets[3]	2,548	1,995
Net cash provided by (used in) investing activities	(4,822)	(5,671)
III - FINANCING ACTIVITIES		
Proceeds from issuance of ordinary shares	2,094	2,113
Dividends paid	(7,646)	(6,554)
Purchases of treasury shares	(2,377)	(1,800)
Sales of treasury shares	2,178	1,690
Repayments of long-term and short-term borrowings	(394)	(500)
Net cash provided by (used in) financing activities	(6,145)	(5,051)
Increase (decrease) in cash and cash equivalents	**8,651**	**2,697**
Cash and cash equivalents at opening	43,484	29,534
Increase (decrease) in cash and cash equivalents	8,651	2,697
Effect of changes in foreign exchange rates	(92)	254
Cash and cash equivalents at closing	52,043	32,485
Free cash flow before non-recurring items	14,796	9,308
Non-recurring items of the free cash flow	-	-
Free cash flow	14,796	9,308
Income tax (paid) / reimbursed, net	(3,536)	(1,340)
Interest paid	-	-

(1) The impact of the application of IFRIC 21 – Levies with effect from January 1, 2015, is restated retrospectively in the consolidated statement of cash flows at September 30, 2014 (see note 2 "Summary of accounting rules and methods").

(2) At September 30, 2014, this amount corresponded to the acquisition cost of the activities of the Group's former agent in South Korea (see note 3 hereafter).

(3) These amounts mainly correspond to the valuation of purchases and sales of treasury shares made through the Liquidity Agreement, and for which the counterparty 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, 2014[(1)]	29,664,415	1.00	29,664	5,043	(83)	(8,721)	58,063	83,966
Net income (loss)							9,600	9,600
Other comprehensive income (loss)						83	(67)	16
Comprehensive income (loss)						83	9,533	9,616
Exercised stock options	489,401	1.00	489	1,623				2,112
Fair value of stock options							89	89
Sale (purchase) of treasury shares					(131)			(131)
Profit (loss) on treasury shares							14	14
Other variations							(73)	(73)
Dividends paid							(6,554)	(6,554)
Balance at September 30, 2014[(1)]	30,153,816	1.00	30,154	6,666	(214)	(8,638)	61,073	89,041
Balance at January 1, 2014[(1)]	29,664,415	1.00	29,664	5,043	(83)	(8,721)	58,063	83,966
Net income (loss)							14,370	14,370
Other comprehensive income (loss)						218	(649)	(431)
Comprehensive income (loss)						218	13,721	13,939
Exercised stock options	664,699	1.00	665	2,239				2,904
Fair value of stock options							136	136
Sale (purchase) of treasury shares					(50)			(50)
Profit (loss) on treasury shares							32	32
Other variations							(71)	(71)
Dividends paid							(6,554)	(6,554)
Balance at December 31, 2014[(1)]	30,329,114	1.00	30,329	7,282	(133)	(8,503)	65,327	94,302
Net income (loss)							15,970	15,970
Other comprehensive income (loss)						504	126	630
Comprehensive income (loss)						504	16,096	16,600
Exercised stock options	436,444	1.00	436	1,658				2,094
Fair value of stock options							110	110
Sale (purchase) of treasury shares					(226)			(226)
Profit (loss) on treasury shares							18	18
Dividends paid							(7,646)	(7,646)
Balance at September 30, 2015	**30,765,558**	**1.00**	**30,766**	**8,940**	**(359)**	**(7,999)**	**73,905**	**105,252**

(1) The impact of the application of IFRIC 21 – Levies with effect from January 1, 2015, is restated retrospectively in the consolidated statement of changes in equity at January 1, 2014, at September 30, 2014 and at December 31, 2014 (see note 2 "Summary of accounting rules and methods").

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT SEPTEMBER 30, 2015

1. BUSINESS ACTIVITY

Lectra was established in 1973 and has been listed since 1987 on Euronext (compartment B). Lectra is the world leader in software, CAD/CAM equipment and associated services dedicated to large-scale users of fabrics, leather, technical textiles and composite materials. Lectra addresses a broad array of major global markets, mainly fashion and apparel, automotive (car seats and interiors, airbags), furniture as well as a wide variety of other industries, such as the aeronautical and marine industries, and wind power.

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

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

All Lectra software and equipment is designed and developed in-house. Equipment is assembled from sub-elements produced by an international network of subcontractors and tested in the company’s industrial facilities in Bordeaux–Cestas (France) where most of Lectra’s R&D is performed.

Lectra’s strength lies in the skills and experience of its 1,500 employees worldwide, encompassing expert R&D, technical and sales teams with deep knowledge of their customers’ businesses.

The Group has been present worldwide since the mid-1980s. Based in France, the company serves its customers in more than 100 countries through its extensive network of 32 sales and services subsidiaries, which are backed by agents and distributors in some regions. Thanks to this unrivaled network, Lectra generated 91% of its revenues directly in 2014. Its five International Call Centers, in Bordeaux–Cestas (France), Madrid (Spain), Milan (Italy), Atlanta (U.S.A.) and Shanghai (China) cover Europe, North America and Asia. All of the company’s technologies are showcased at its International Advanced Technology & Conference Center in Bordeaux–Cestas (France) for Europe and international visitors, and its two International Advanced Technology Centers in Atlanta (U.S.A.) for North and South America, and Shanghai (China) for Asia and the Pacific. Lectra is geographically close to its customers wherever they are, with 830 employees dedicated to marketing, sales and services in the world. It employs more than 260 engineers dedicated to R&D, and nearly 160 employees in industrial purchasing, assembly and testing of CAD/CAM equipment, and logistics.

Business Model

Lectra’s business model is based on three pillars:

- a balance of risks, which benefit from natural hedging by the distribution of business activity over market sectors and geographical markets with cycles that are different from each other, and by the very large number of customers throughout the world;
- a balanced revenue mix between revenues from new systems sales, the company’s growth driver, and revenues from recurring contracts and consumables and spare parts, a key factor in the company’s stability, that provide a cushion in periods of difficult economic conditions;
- the generation of annual free cash flow exceeding net income, assuming utilization or receipt of the annual research tax credit and the competitiveness and employment tax credit applicable in France.

2. SUMMARY OF ACCOUNTING RULES AND METHODS

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

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

The condensed consolidated financial statements at September 30, 2015, 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 attached notes for the fiscal year 2014, 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 2014 financial statements, with the exception of the IFRIC 21 interpretation presented below. They have been prepared under the responsibility of the Board of Directors at its meeting of October 29, 2015. Financial statements at September 30, 2014 and 2015 have not been reviewed by Statutory Auditors

The Group has applied the IFRIC 21 – Levies interpretation, mandatory for fiscal years starting from January 1, 2015. The retrospective application of this interpretation has led it to restate the published statements for 2014. The impacts on the consolidated statement of income are limited to the captions “Selling, general and administrative expenses”, “Income from operations” (in the same amount), “Income tax” and “Net income”:

CONSOLIDATED INCOME STATEMENT

2014: quarter ended	March 31	June 30	September 30	December 31	2014
Income from operations:					
- published	2,301	3,818	7,260	6,402	19,781
- restated	1,918	3,949	7,387	6,552	19,806
Net income:					
- published	1,838	2,768	5,077	4,670	14,353
- restated	1,585	2,854	5,161	4,770	14,370

Moreover, the restated consolidated shareholders’ equity has been increased by €208,000 (€137,000 after tax effect) at January 1, 2014 and by €233,000 (€154,000 after tax effect) at December 31, 2014. At September 30, 2014, it has been increased by €83,000 (€55,000 after tax effect).

The Group has not early adopted any standards, amendments or interpretations whose application is not required for fiscal years starting from January 1, 2015.

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 of those quarters.

Comparisons identified as "like-for-like" correspond to 2015 figures restated at 2014 exchange rates, in comparison with actual data for 2014.

Critical Accounting Estimates and Judgments

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

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 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 contractual sale terms. For software, these conditions are generally fulfilled at the time of installation of the software on the customer's computer (either by CD-ROM or downloading).

Revenues from software evolution contracts and recurring services contracts are billed in advance, and their booking is spread over the duration of the contracts.

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

Cost of Goods Sold

Cost of goods sold comprises all purchases of raw materials included in the costs of manufacturing, the change in inventory and inventory write-downs, all labor costs included in manufacturing costs which constitute the added value, freight-out costs on equipments 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)* and the portion of the competitiveness and employment tax credit *(crédit d'impôt compétitivité et emploi)* relating to R&D personnel, 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.

Free Cash Flow

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

Operating Segments

Operating segment reporting is based directly on the Group's performance tracking and review systems. The operating segments presented in note 6 are identical to those covered by the information regularly communicated to the Executive Committee, in its capacity as the 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, Europe, Asia-Pacific, and the Rest of the World, where the company operates chiefly in Northern Africa, South Africa, Turkey, Israel, and the Middle East. These regions are involved in sales and the provision of services to their customers. They do not perform any industrial activities or R&D. They draw on centralized competencies and a wide array of functions that are pooled among all of the regions, including marketing, communication, logistics, procurement, production, R&D, finance, legal affairs, human resources, and 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 September 30, 2015, the Group's scope of consolidation comprised the parent company, Lectra SA, together with 28 fully-consolidated companies.

There was no change in the scope of consolidation during the first nine months of 2015.

In April 2014, the company had established a new subsidiary in South Korea, Lectra Korea, which took over the assets of the agent that previously represented Lectra in this country for many years, and has been fully consolidated since May 1, 2014. The impact of this subsidiary's creation and of the purchase of these activities on the income statement and the statement of financial position was immaterial, the bulk of sales in this country having previously been billed by Lectra SA.

Four sales and service subsidiaries are not consolidated, their revenues being immaterial both separately and combined. At September 30, 2015, their combined revenues totaled €0.9 million, and their combined assets in their statement of financial position totaled €2.4 million. They had no financial debt outside of the Group. Most of these subsidiaries' sales activity is billed directly by Lectra SA.

Transactions with these related parties 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 material at September 30, 2015.

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

4.1. Q3 2015

	Three Months Ended September 30				
	2015		2014[1]	Changes 2015/2014	
(in thousands of euros)	Actual	At 2014 exchange rates	Actual	Actual	Like-for-like
Revenues	59,269	55,814	53,751	+10%	+4%
Cost of goods sold	(14,645)	(14,296)	(13,851)	+6%	+3%
Gross profit	44,624	41,518	39,900	+12%	+4%
(in % of revenues)	75.3%	74.4%	74.2%	+1.1 points	+0.2 points
Research and development	(3,015)	(3,015)	(2,905)	+4%	+4%
Selling, general and administrative expenses	(31,821)	(30,491)	(29,608)	+7%	+3%
Income (loss) from operations	9,789	8,012	7,387	+33%	+8%
(in % of revenues)	16.5%	14.4%	13.7%	+2.8 points	+0.7 points
Income (loss) before tax	9,456	7,680	7,436	+27%	+3%
Income tax	(2,478)	na	(2,275)	+9%	na
Net income (loss)	6,978	na	5,161	+35%	na

(1) The impact of the application of IFRIC 21 – Levies with effect from January 1, 2015, is restated retrospectively in the consolidated income statement at September 30, 2014 (see note 2 "Summary of accounting rules and methods").

4.2. First Nine Months of 2015

	Nine Months Ended September 30				
	2015		2014[1]	Changes 2015/2014	
(in thousands of euros)	Actual	At 2014 exchange rates	Actual	Actual	Like-for-like
Revenues	175,697	162,535	153,909	+14%	+6%
Cost of goods sold	(42,840)	(41,678)	(40,652)	+5%	+3%
Gross profit	132,857	120,857	113,257	+17%	+7%
(in % of revenues)	75.6%	74.4%	73.6%	+2 points	+0.8 points
Research and development	(10,162)	(10,162)	(9,355)	+9%	+9%
Selling, general and administrative expenses	(99,733)	(94,787)	(90,648)	+10%	+5%
Income (loss) from operations	22,963	15,909	13,254	+73%	+20%
(in % of revenues)	13.1%	9.8%	8.6%	+4.5 points	+1.2 points
Income (loss) before tax	22,116	15,064	13,056	+69%	+15%
Income tax	(6,146)	na	(3,456)	+78%	na
Net income (loss)	15,970	na	9,600	+66%	na

(1) The impact of the application of IFRIC 21 – Levies with effect from January 1, 2015, is restated retrospectively in the consolidated income statement at September 30, 2014 (see note 2 "Summary of accounting rules and methods").

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

5.1. Q3 2015

Revenues by geographic region

(in thousands of euros)	2015 Actual	2015 %	2015 At 2014 exchange rates	2014 Actual	2014 %	Changes 2015/2014 Actual	Changes 2015/2014 Like-for-like
	Three Months Ended September 30						
Europe, of which:	25,256	42%	25,190	24,500	46%	+3%	+3%
- France	4,066	7%	4,076	4,167	8%	-2%	-2%
Americas	16,733	28%	14,686	12,442	23%	+34%	+18%
Asia-Pacific	13,357	23%	12,127	13,594	25%	-2%	-11%
Other countries	3,923	7%	3,811	3,215	6%	+22%	+19%
Total	59,269	100%	55,814	53,751	100%	+10%	+4%

Revenues by product line

(in thousands of euros)	2015 Actual	2015 %	2015 At 2014 exchange rates	2014 Actual	2014 %	Changes 2015/2014 Actual	Changes 2015/2014 Like-for-like
	Three Months Ended September 30						
Software, of which:	17,182	29%	16,367	16,206	30%	+6%	+1%
- New licenses	5,723	10%	5,393	5,768	11%	-1%	-6%
- Software evolution and online services contracts	11,459	19%	10,974	10,438	19%	+10%	+5%
CAD/CAM equipment	15,481	26%	14,460	14,600	27%	+6%	-1%
Hardware maintenance and online services contracts	8,491	14%	7,955	7,510	15%	+13%	+6%
Consumables and spare parts	14,646	25%	13,692	12,524	23%	+17%	+9%
Training and consulting services	3,005	5%	2,885	2,327	4%	+29%	+24%
Miscellaneous	464	1%	455	586	1%	-21%	-22%
Total	59,269	100%	55,814	53,751	100%	+10%	+4%

Breakdown of revenues between revenues from new systems sales and recurring revenues

(in thousands of euros)	2015 Actual	2015 %	2015 At 2014 exchange rates	2014 Actual	2014 %	Changes 2015/2014 Actual	Changes 2015/2014 Like-for-like
	Three Months Ended September 30						
Revenues from new systems sales(1)	24,673	42%	23,192	23,280	43%	+6%	0%
Recurring revenues(2), of which:	34,596	58%	32,622	30,471	57%	+14%	+7%
- Recurring contracts	19,950	33%	18,930	17,947	33%	+11%	+5%
- Consumables and spare parts	14,646	25%	13,692	12,524	22%	+17%	+9%
Total	59,269	100%	55,814	53,751	100%	+10%	+4%

(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 contracts, which are renewable annually;*
- *Revenues from sales of consumables and spare parts, which are statistically recurrent.*

5.2. First Nine Months of 2015

Revenues by geographic region

(in thousands of euros)	Nine Months Ended September 30						
	2015			2014		Changes 2015/2014	
	Actual	%	At 2014 exchange rates	Actual	%	Actual	Like-for-like
Europe, of which:	75,590	43%	75,351	70,693	46%	+7%	+7%
- France	12,204	7%	12,234	12,037	8%	+1%	+1%
Americas	46,855	27%	39,942	36,791	24%	+27%	+9%
Asia-Pacific	41,952	24%	36,359	36,624	24%	+15%	-1%
Other countries	11,300	6%	10,883	9,801	6%	+15%	+11%
Total	175,697	100%	162,535	153,909	100%	+14%	+6%

Revenues by product line

(in thousands of euros)	Nine Months Ended September 30						
	2015			2014		Changes 2015/2014	
	Actual	%	At 2014 exchange rates	Actual	%	Actual	Like-for-like
Software, of which:	52,059	30%	48,832	46,674	30%	+12%	+5%
- New licenses	17,751	10%	16,406	15,911	10%	+12%	+3%
- Software evolution and online services contracts	34,308	20%	32,426	30,763	20%	+12%	+5%
CAD/CAM equipment	44,921	26%	40,781	38,813	25%	+16%	+5%
Hardware maintenance and online services contracts	25,117	14%	23,187	21,937	15%	+14%	+6%
Consumables and spare parts	42,943	24%	39,666	37,191	24%	+15%	+7%
Training and consulting services	9,116	5%	8,586	7,728	5%	+18%	+11%
Miscellaneous	1,541	1%	1,483	1,566	1%	-2%	-5%
Total	175,697	100%	162,535	153,909	100%	+14%	+6%

Breakdown of revenues between new systems sales and recurring revenues

(in thousands of euros)	Nine Months Ended September 30						
	2015			2014		Changes 2015/2014	
	Actual	%	At 2014 exchange rates	Actual	%	Actual	Like-for-like
Revenues from new systems sales(1)	73,329	42%	67,256	64,018	42%	+15%	+5%
Recurring revenues(2), of which:	102,368	58%	95,279	89,891	58%	+14%	+6%
- Recurring contracts	59,425	34%	55,613	52,700	34%	+13%	+6%
- Consumables and spare parts	42,943	24%	39,666	37,191	24%	+15%	+7%
Total	175,697	100%	162,535	153,909	100%	+14%	+6%

(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 contracts, which are renewable annually;*
- *Revenues from sales of consumables and spare parts, which are statistically recurrent.*

Breakdown of revenues from new systems sales by market sector

(in thousands of euros)	Nine Months Ended September 30						
	2015			2014		Changes 2015/2014	
	Actual	%	At 2014 exchange rates	Actual	%	Actual	Like-for-like
Fashion and apparel	33,758	46%	30,736	30,846	48%	+9%	0%
Automotive	26,054	36%	23,854	24,609	38%	+6%	-3%
Furniture	10,320	14%	9,739	4,173	7%	+147%	+133%
Other industries	3,197	4%	2,927	4,390	7%	-27%	-33%
Total	73,329	100%	67,256	64,018	100%	+15%	+5%

6. OPERATING SEGMENTS INFORMATION

Nine months ended September 30, 2015 (in thousands of euros)	Europe	Americas	Asia-Pacific	Other countries	Corporate	Total
Revenues	75,590	46,855	41,952	11,300	-	175,697
Income (loss) from operations	8,450	2,987	(1,612)	1,470	11,667	22,962

Nine months ended September 30, 2014 (in thousands of euros)	Europe	Americas	Asia-Pacific	Other countries	Corporate	Total
Revenues	70,693	36,791	36,624	9,801	-	153,909
Income (loss) from operations[(1)]	6,329	912	1,178	1,516	3,319	13,254

(1) The impact of the application of IFRIC 21 – Levies with effect from January 1, 2015, is restated retrospectively in the consolidated income statement at September 30, 2014 (see note 2 "Summary of accounting rules and methods").

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.

7. CONSOLIDATED CASH FLOW SUMMARY

Nine months ended September 30, 2015 (in thousands of euros)	Cash and cash equivalents	Financial debts	Net cash (+) Net debt (–)
Free cash flow	14,796	-	14,796
Proceeds from issuance of ordinary shares[(1)]	2,094	-	2,094
Sale and purchase of treasury shares[(2)]	(199)	-	(199)
Dividends paid	(7,646)	-	(7,646)
Change in borrowings	(394)	394	-
Impact of currency variations – other	(92)	-	(92)
Change in cash position for the period	8,559	394	8,953
Cash position at December 31, 2014	43,484	(394)	43,090
Cash position at September 30, 2015	52,043	-	52,043
Change in cash position for the period	8,559	394	8,953

(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).

Free cash flow at September 30, 2015, was positive by €14.8 million. This figure results from a combination of €19.6 million in cash flows provided by operating activities (including an increase in working capital requirement of €2.3 million) and capital expenditures of €4.8 million.

The amount of capital expenditures will keep increasing in the coming quarters, owing to the rehabilitation and extension program of the Bordeaux-Cestas facilities, started in 2014 and due to last to end of 2016, for a total budget of €8 million to €10 million.

The main variations in working capital requirement were:

- −€2.3 million corresponding to the decrease in trade accounts receivable, after 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 “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);
- +€2.6 million corresponding to the increase in inventories;
- −€0.2 million arising from the decrease of the receivable on the French tax administration (*Trésor public*) corresponding to the research tax credit and the competitiveness and employment tax credit. This amount corresponds to the difference between the tax credits for the first nine months of 2015 after deduction from the corporate income tax due by Lectra SA, accounted for but not received (€4.6 million), and the non-deducted 2011 research and development tax credit reimbursed in Q3 2015 (€4.8 million);
- +€1.5 million arising from the difference between the variable portion of salaries for the Group in respect of fiscal 2014 paid mainly in 2015, and the one accounted for during the first nine months of 2015 and payable in 2016;
- +€0.7 million arising from the change in other current assets and liabilities; taken individually, these changes are all immaterial.

The working capital requirement at September 30, 2015, was negative at €0.5 million. It comprised a receivable of €22.8 million on the French tax administration in respect of the research tax credit, which has not been received and has not been deducted from the current income tax expense (see note 8 hereafter). Restated for this receivable, the working capital requirement was negative at €23.3 million, which is a key feature of the Group’s business model.

8. RESEARCH TAX CREDIT – COMPETITIVENESS AND EMPLOYMENT TAX CREDIT

It should be noted that, when the research tax credit and the competitiveness and employment tax credit applicable in France recognized in the year cannot be deducted from the corporate income tax, they are treated as a receivable on the French tax administration. If unused in the ensuing three years, they are repaid to the company in the course of the fourth year.

The competitiveness and employment tax credits relating to fiscal 2013 and 2014, as well as the first nine months of 2015, have been entirely deducted from the corporate income tax due by Lectra SA.

Thus, at September 30, 2015, Lectra SA held a €22.8 million receivable on the French tax administration. This 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 2015 (€4.7 million), 2014 (€6.9 million), 2013 (€6.1 million) and 2012 (€5.1 million).

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, which will be deducted in full from the research tax credit and the competitiveness and employment tax credit, if any, of each fiscal year. In Q3 2015, it received the balance outstanding relating to the 2011 tax credit of €4.8 million and expects to receive the reimbursement of the balance outstanding of these non-deducted tax credits as follows: in 2016 (in respect of the 2012 tax credit), 2017 (in respect of the 2013 tax credit), 2018 (in respect of the 2014 tax credit) and 2019 (in respect of the 2015 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 credits for the year, the company would continue not paying 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.

9. TREASURY SHARES

Since January 1, 2015, the company has purchased 200,904 shares and sold 182,166 shares at an average price of €11.83 and €11.95 respectively under the Liquidity Agreement administered by Exane BNP Paribas.

At September 30, 2015, the company held 33,670 Lectra shares (i.e. 0.1% of the share capital) with an average purchase price of €10.66 entirely under the Liquidity Agreement.

10. CASH AND CASH EQUIVALENTS AND NET CASH

(in thousands of euros)	September 30, 2015	December 31, 2014
Cash and cash equivalents	52,043	43,484
Borrowings and financial debts	-	(394)
Net cash	52,043	43,090

After the repayment on March 31, 2015 of the remaining of public grants to finance R&D programs for €0.4 million, which were its sole debt, the Group had no remaining borrowing or financial debt. Thus, its cash and cash equivalents were equal to its net cash, and amounted to €52 million.

11. FOREIGN EXCHANGE RISK

The Group's currency risk management policy is unchanged relative to December 31, 2014.

During the first nine months of 2015, the average parity between the US dollar and the euro was $1.11/€1.

Exchange Risk Hedging Instruments

Exchange risk hedging instruments at September 30, 2015 comprised forward sales or purchases of foreign currencies (mainly US dollar) for a net total equivalent value (sales minus purchases) of €0.1 million, intended to hedge existing positions.

Thus, the company has covered almost all its balance sheet positions.

At the publication date of this report, it has not hedged its exposure to the US dollar beyond September 30, 2015.

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

Sensitivity of Revenues and Income from Operations to a Change in Exchange Rates

The company has based its Q4 2015 scenarios on the October 28, 2015 exchange rates for the currencies in which the Group generates its revenues, notably $1.11/€1.

In view of the estimated share of revenues and costs denominated in US dollars or in currencies correlated with the US dollar, notably the yuan, a 5-cent fall in the euro against the US dollar over Q4 (leading to an exchange rate of $1.06/€1) would mechanically increase Q4 revenues by approximately €1.1 million and income from operations by €0.6 million. Conversely, a 5-cent appreciation of the euro against the US dollar (i.e. $1.16/€1) would mechanically reduce revenues and income from operations by the same amounts.

The parity is $1.10/€1 at the date of this report.

In addition to fluctuating against the US dollar and against currencies strongly correlated with it, the euro also fluctuates against other currencies. However, these variations are frequently heterogeneous both in direction (upward and downward) and in scale.