MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS FOR THE FOURTH QUARTER AND FULL YEAR OF 2015

Dear Shareholders,

We report below on Lectra Group's business activity and consolidated financial statements for the fourth quarter and full year ending December 31, 2015. Financial statements for fiscal year 2015 have 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 Q4 2015

With an average parity of $1.09/€1 in Q4, the US dollar was up 14% compared to Q4 2014 ($1.25/€1). For its part, the yuan appreciated 10%. The movements of the US dollar, together with that of the yuan and other currencies, mechanically increased revenues by €3.2 million (+5%) and income from operations by €1.9 million (+27%) at actual exchange rates compared with like-for-like figures.

Steep Rise in Orders for New Systems

Orders for new systems totaled €32.1 million, up 20% (+12% like-for-like) compared with Q4 2014 (€26.8 million). They were €21.3 million, €26.2 million and €22.9 million respectively in Q1, Q2 and Q3 2015.

Orders for new software licenses (€6.6 million) increased by 8%, those for CAD/CAM equipment (€21.7 million) were up 29%. Orders for training and consulting (€3.1 million) decreased by 4%.

Income from Operations and Net Income Up Sharply

Revenues totaled €62.2 million, up 8% compared with Q4 2014 (+3% like-for-like).

Revenues from new systems sales increased by 6% (down 1% like-for-like), recurring revenues by 10% (+6% like-for-like): +8% for recurring contracts and +13% for consumables and spare parts (respectively +4% and +8% like-for-like).

Income from operations amounted to €8.9 million, up 35% (+7% like-for-like).

The operating margin amounted to 14.2%, increasing by 2.8 percentage points (+0.4 percentage points like-for-like).

Figures are in line with the estimates published on October 29.

Net income amounted to €7.4 million, up €2.6 million (+55%) compared with Q4 2014.

Finally, free cash flow was €6.7 million (€4 million in Q4 2014, excluding the receipt of €5.7 million relating to the 2010 French research tax credit).

2. SUMMARY OF EVENTS AND PERFORMANCE IN 2015

Tougher than Expected Macroeconomic Conditions

In its February 11, 2015 report, the company stated that 2015 was likely to be both difficult and unpredictable, with persistently uncertain macroeconomic, geopolitical and monetary conditions liable to delay a return of confidence and continuing to weigh heavily on companies' investment decisions.

Several unforeseen events have aggravated conditions beyond expectations, including the slowing growth of the global economy, particularly China's—with consequences for all Asian countries, which are highly dependent on China, and raw material-exporting countries—the crash of Brazil's economy, major currency shifts unsettling almost all countries' conditions, the steep fall in oil prices, wars in the Middle East, terrorist attacks in France and elsewhere in the world, etc. The proven competitiveness of the US industry was among the positives, meanwhile.

Companies within Lectra's market sectors have consequently slowed their investments in response to a lack of visibility and rising concerns.

Positive Impact from Weaker Euro

With an average parity of $1.11/€1, the US dollar was up 20% compared with 2014 ($1.33/€1). The yuan appreciated 17%, meanwhile.

Exchange rate variations have had a very favorable mechanical impact overall, boosting 2015 revenues by €16.4 million (+7%) and income from operations by €8.9 million (+39%) at actual exchange rates compared with like-for-like figures.

Given the complex effects produced by such sharp fluctuations in currency parities, described below, like-for-like comparisons between 2015 and 2014 are of limited relevance.

Lectra's Competitiveness Strengthened

The sharp fall in the euro since summer 2014 has been a major event for the company, significantly bolstering 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.

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 a deterioration of their margins.

On their side, the few European vendors specialized in CAM equipment that have maintained their production in Europe, 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.

Complex Effects for Lectra's customers

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

The European companies that have outsourced their production or made their purchases in China must adjust to rising import costs by realigning their supply strategy. As a result, as Chinese manufacturers become less competitive they are experiencing a decline in orders from European customers, leading to industrial overcapacity, which in turn has negatively impacted their investment decisions.

In emerging countries, the sharp depreciation in their currencies against the dollar (in Brazil especially, with a 44% decline in the Brazilian real since summer 2014) has also damaged business investment due to significantly increased costs.

As a result of this situation, the company adjusted its sales prices at the beginning of September.

Orders for New Systems Up at Actual Exchange Rates and Stable Like-for-Like

Orders for new systems amounted to €102.4 million, up €8.1 million (+9%) relative to 2014 at actual exchange rates and stable like-for-like. They fell below company expectations of a rise of more than 15% like-for-like.

Orders for new software licenses (€23.7 million) were up 6%, and CAD/CAM equipment (€64.2 million) increased by 13%. Training and consulting (€12.3 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 55% (+64% in North America and +24% in South America), but were down 5% in Europe and 1% in Asia-Pacific; they increased by 11% in the rest of the world (North Africa, South Africa, Turkey, the Middle East, etc.).

By market sector, orders were up 9% in the fashion and apparel market and stable in the automotive market. They were up 59% in furniture, while falling 5% in other industries. These markets respectively accounted for 49%, 33%, 11% and 7% of total orders.

Very Strong Earnings Growth

Revenues (€237.9 million) were up by 13% relative to 2014. Income from operations reached €31.8 million and net income €23.4 million, up by €12 million (+61%) and €9 million (+63%) respectively.

The operating margin was 13.4%, up 4 percentage points.

Like-for-like, revenues grew by 5%, income from operations by 16%, and operating margin was 0.9 percentage points higher.

The company's objective, communicated in its financial report on February 11, 2015, was to generate total revenues of approximately €240 million for the fiscal year 2015, income from operations before non-recurring items of around €29 million, an operating margin before non-recurring items of 12%, and net income of around €20 million, based on exchange rates at December 15, 2014, notably $1.25/€1.

At actual exchange rates, revenues for 2015 (€237.9 million) are very close to this objective and income from operations (€31.8 million) is €2.8 million ahead. Operating margin (13.4%) is 1.4 percentage points higher, thanks to improved margins, lower-than-expected overhead costs and the positive impact of currency fluctuations. Net income (€23.4 million) exceeds the objective by €3.4 million.

At the exchange rates used when setting these objectives, revenues and income from operations were €226 million and €25.4 million respectively, lagging behind the objectives by €14 million (–6%) and €3.6 million (–12%) respectively.

Increase in Free Cash Flow

Free cash flow amounted to €21.5 million, versus €19 million in 2014.

A Zero-Debt Company, Shareholders' Equity and Net Cash Position Further Strengthened

At December 31, 2015, shareholders' equity increased by €18.7 million compared to December 31, 2014 and reached €113 million (+20%); net cash position by €16.3 million to €59.3 million (+38%), after payment of the dividend of €7.6 million declared in respect of FY 2014.

The company was debt free as of March 31, 2015.

3. STRATEGIC ROADMAP FOR 2013-2016: THIRD PROGRESS REPORT

Lectra's first strategic roadmap, for 2010-2012, was intended to strengthen the company, prepare it for the post-crisis challenges and seize resulting opportunities. This roadmap successfully demonstrated its effectiveness and the solidity of the company's business model, as well as its high degree of resilience.

The company published its second strategic roadmap, for 2013-2015, in its financial report of February 12, 2013. This new roadmap outlined its transformation plan and €50 million in investments for the future, launched at the end of 2011.

But slower than expected global growth and increasingly uncertain macroeconomic conditions counseled caution, and in its February 11, 2014 report the company announced it was postponing fulfilment of its financial objectives initially set for 2015 until the end of 2016.

Consequently, this roadmap had been extended to cover the period 2013-2016. The various points covered by this roadmap are summarized below, followed by a third progress report.

A long-term strategy

The roadmap for 2013-2016 aimed to fully realize the company's growth potential as it pursues its long-term strategy, which remained its overriding priority. The roadmap's principal objectives remained unchanged: to accentuate Lectra's technological leadership and further enhance the value of its product and service offer; strengthen its competitive position and its long-term relationships with customers; accelerate its organic growth; boost its profitability by regularly increasing its operating margin; and, finally, generate free cash flow in excess of net income (assuming receipt or utilization of the French research tax credit and the competitiveness and employment tax credit recognized in the year), thereby enabling the company to self-finance its future growth.

Progress Report

These five strategic objectives have guided the company in its operations and are reflected in its 2015 business and financial results.

Building for the Future in the New Post-Crisis Economic Order

The roadmap was based on the assumption that eight economies (Brazil, Russia, India, China, South Korea, Indonesia, Mexico and Turkey) would generate half of global growth over the present decade. Following China's example, their growth models were expected to be driven increasingly by domestic demand, greater added value, and efforts to raise corporate margins. Lectra was well armed to turn this new economic order into a vehicle for dynamic growth. The other half of global growth was still expected to occur in developed countries, where the Group already held a significant market share.

On this view, the company expected to build on its premium positioning, backed by new generations for all of its solutions, enhanced technological leadership, high performing services, expert knowledge of its teams in customers' businesses, and its growing importance as a supplier to major global customers, helping them support their competitiveness strategy. Lectra remained the sole player in its industry able to supply a complete high value offer across all its geographical markets and market sectors, giving its customers a unique long-term competitive advantage.

Five accelerators were expected to drive Lectra's growth: the emerging countries, together with the industrial revival in the United States and other developed countries; the automotive market, which is currently experiencing far-reaching technological and geographical change; the leather market, thanks to the revolutionary new range of *Versalis* automated cutters; PLM for fashion and apparel, where Lectra supplies collaborative solutions for superior collection management; and, finally, 3D technology, the new universal product development solution for fashion and apparel.

Progress Report

In its second progress report of February 11, 2015, the company noted that countries and market sectors' contributions to growth in Lectra's activity varied widely, depending on the change in the state of their respective economies since its initial assumption. Consequently, the three growth accelerators for 2015 and 2016 were expected to be China, the automotive market and PLM for fashion and apparel, the others being expected to produce their effects further into the medium term.

The steep fall in the euro since summer 2014, notably against the dollar and yuan, has significantly bolstered the Group's competitive position. Conversely, the upheaval in foreign exchange parities, together with the slowdown in the Chinese economy and the impact of these two factors on many economies, especially Turkey and Brazil, as well as on South Korea and certain ASEAN countries, have had a sharply negative impact on the Group's business (see chapter 2).

After a period of transition and stabilization, which may continue for an unknown length of time, China should account, alone, for around a third of growth potential of business activity in the medium term, as forecast. Lectra's offer is ideally suited to the Chinese government's new *Made in China 2025* plan to develop the country's high value-added industrial capabilities. In the current tougher economic climate, Brazil's and Turkey's contributions are expected to revert to their forecast levels over a longer time horizon. The United States, Germany, Italy and France, along with Mexico, could pick up faster than expected.

Having further reinforced its premium positioning, continued to enrich its teams' expertise, and bolstered its technological leadership in 2015, Lectra is poised to leverage to the maximum opportunities in these different markets.

Despite transient under-performance in the automotive market in 2015, its share in the Group's activity is expected to increase in 2016 as well as in the medium term, under the combined impact of expanding markets in China and the other emerging countries, the rising proportion of leather-upholstered car interiors, and the growing use of airbags. The revolutionary new FocusQuantum laser airbag cutter that was launched in December 2015 should contribute to further strengthening Lectra's leadership.

Growth in the leather market will be concentrated essentially in the automotive sector, with slower uptake of new technologies in the furniture market—which nevertheless rebounded strongly in 2015 and should represent over the medium term the second-largest market for leather after automotive—and the fashion and apparel market.

Market globalization, rising consumption in the emerging countries and the growth of internet sales are all expected to boost demand for PLM software in the fashion and apparel market. Despite some successes in 2015, PLM orders continue to lag behind expectations, but sales are expected to

accelerate from 2016. On the other hand, adoption of 3D technology will proceed more slowly than forecast: this technology represents an inevitable revolution for businesses, obliging them to radically rethink their development methods in order to reap its benefits in full.

Deliberately Cautious Macroeconomic Assumptions

The roadmap was based on the weak macroeconomic conditions prevailing in 2012 and on global growth forecasts known at the time, while allowing for an upturn in business confidence. Given the prevailing conditions, businesses would inevitably need to adapt and build for their own future, as well as to start investing again gradually.

Progress Report

The macroeconomic context was more difficult than expected in 2015 (see Chapter 2).

Clear and Ambitious Financial Goals

The main financial goals contained in the roadmap, based on exchange rates at February 1, 2013 (in particular $1.35/€1) were:

- revenue growth above 33% like-for-like over the period 2013-2016;
- a 15% operating margin (before non-recurring items) in 2016;
- income from operations (before non-recurring items) and net income to more than double in four years.

These goals, based on organic growth, were to be achieved through tight control over key operating ratios, by preserving a security ratio (i.e. the percentage of annual fixed overhead costs covered by gross profit on recurring revenues) greater than 75%.

If these goals were met, income from operations before non-recurring items would increase nearly fourfold in 2016 relative to 2007, the last pre-crisis year, and the operating margin (before non-recurring items) would rise by nearly 10 percentage points, at actual exchange rates.

The company indicated that it may have occasion to review these goals during the course of the year, given the prevailing uncertainties and forecasting difficulties.

Progress Report

In 2015, while orders for new systems and corresponding revenues again fell behind the roadmap for the year, recurring revenues outpaced expectations.

The company benefited fully from the positive effects of a weaker euro, with revenues, income from operations and net income up by 13%, 61% and 63% respectively, at actual exchange rates.

Fixed overhead costs other than investments for the future were below budget and all other metrics were in line or better than expected.

The business model has emerged strengthened, moreover, with better than expected profitability ratios, overall gross profit margin and operating margin especially, and the security ratio was particularly robust (83%).

Translated at the exchange rates assumed in 2013, revenues and income from operations are lagging behind the roadmap.

A Far-Reaching Company Transformation Plan and Investments for the Future

In response to the scale of the economic crisis in 2008-2009, the company reduced its fixed overhead costs by nearly 20%, bringing them down from €124 million in 2007 to €100 million in 2010. A second transformation phase was planned in order to build its new post-crisis structure.

Innovation, human capital united around a strong corporate culture, uncompromising ethics in the conduct of its business, and closeness to its customers continue to drive Lectra's leadership.

On the strength of its financial performance, the company gave priority to its long-term strategy over short-term profitability, devoting the necessary financial resources to this goal. This three-point plan, launched at the end of 2011, covered the four-year period from 2012 to 2015, and comprised:

- a major recruitment plan to strengthen sales and marketing teams, which would grow from 220 people at the end of 2011 to 330, and from 16% to 22% of the total workforce;
- the addition of 40 software R&D engineers in Bordeaux-Cestas (France), bringing the total R&D workforce to 260 engineers;
- accelerated investment in marketing.

Altogether, these investments for the future represented a cumulative €50 million, fully expensed, while their benefits would only be felt progressively. They were expected to cap fixed overhead costs at around €130 million in 2015 (based on the exchange rates initially assumed in 2013, in particular $1.35/€1), i.e. below the inflation-adjusted 2007 figure.

If the recruitment program had been executed in full, Lectra's workforce would have risen by around 200 to 1,540 by end-2015. This is equivalent to the pre-crisis level of 1,551 in 2007, but with resources reallocated to core strategic activities, the most promising geographical markets and market sectors, while at the same time boosting efficiency and improving skills and performance. The main focus of the far-reaching renewal and strengthening of Lectra's sales and support teams was on the Corporate functions, together with North America, China, and the Germany and Eastern Europe region.

Progress Report

The recruitment plan was reviewed in the company's financial report of February 11, 2015, reallocating new hires across the geographic and market sectors on the one hand, and, on the other hand, increasing the proportion of pre-sales consultants in light of the growing strategic importance for customers of their investments in Lectra's technologies.

This plan came to an end at the close of 2015, as intended. Practically all of the planned recruitments occurred, but delays in recruiting sales teams in 2013 and 2014 together with certain replacements mean that teams are more recent than planned (almost a quarter of sales teams have been with the company for less than 12 months).

As of December 31, 2015:

- Lectra's workforce had increased by 179 since the end of 2011 to a total of 1,517 employees, 13% of whom joined the company in 2015 and 37% since the start of the plan. 23 individuals, most of whom were recruited at the end of 2015, will join the Group in 2016, bringing the total workforce to 1,540.
- The sales—including the pre-sales consultants—and marketing teams totaled 337 (+109), of whom 24% joined the Group in 2015 and 62% since the launch of the plan.
- R&D teams totaled 265 (+47; nearly all of whom are software R&D engineers).

Meanwhile, increased investment in marketing has enhanced Lectra's image and raised its profile, thanks in particular to the new lectra.com website, which has been online since December 2014; the September 2015 launch of a fully-localized Chinese site, lectra.cn; a steadily enriched database of customer testimonials; three global communications campaigns in the fashion and apparel, furniture and automotive markets; and major international events held on the Bordeaux-Cestas technology campus.

The transformation and investment for the future plan will have enabled a major renewal and a reallocation of resources toward the most strategically important activities as well as the fastest-growing geographical markets and market sectors, with a total Group headcount as planned. The company has now entered a process of continuous improvement.

Investments for the future totaled €48.1 million at the end of 2015, and will reach €50 million as initially planned: around €2 million committed in 2015 will be recorded in the expenses for 2016.

Fixed overhead costs totaled €133 million in 2015.

Development Internally Funded in Full

The roadmap's objective was for annual free cash flow to continue to exceed net income (assuming utilization or receipt of the research tax credit and the competitiveness and employment tax credit applicable in France), enabling the company to pursue its dividend-payment policy while financing its future development, free of all financial debt.

The company intended to pursue its dividend-payment policy with a payout ratio of around 33% of net income (excluding non-recurring items), the remaining 67% serving to continue to self-finance the company's growth. This ratio could exceptionally rise to or exceed 50%, until the investments for the future have produced their full impact, insofar as they were already taken into account in the computation of net income and free cash flow.

Lastly, the company was to refrain from any share buyback plan, apart from the Liquidity Agreement, and preserve its cash in order to finance future targeted acquisitions, should the right opportunities arise on favorable terms.

Progress Report

The balance sheet at the end of 2015 is much stronger than expected. Income and free cash flow have enabled the company to increase its dividend steadily.

No acquisition took place, nor was any envisaged.

4. CONSOLIDATED FINANCIAL STATEMENTS FOR 2015

Revenues

Revenues totaled €237.9 million, up 13% (+5% like-for-like) compared with 2014.

Revenues increased in all regions: +3% in Europe, +28% in the Americas, +17% in Asia-Pacific, and +7% in the rest of the world. These regions respectively accounted for 43% (including 7% for France), 28%, 23%, and 6% of total revenues. In 2014, these regions respectively accounted for 46% (including 8% for France), 24%, 23%, and 7% of total revenues.

Revenues from New Systems Sales

Overall, revenues from new systems sales (€99.4 million) increased by 12% (+3% like-for-like). They represented 42% of total revenues, as in 2014.

Revenues from new software licenses (€23.7 million) increased by 9% and accounted for 10% of total revenues, as in 2014.

CAD/CAM equipment revenues (€61.3 million) were up 13% and accounted for 26% of total revenues, as in 2014.

Training and consulting increased by 17% to €12.2 million and accounted for 5% of total revenues, as in 2014.

Revenues from Recurring Contracts and Consumables and Spare Parts

Recurring revenues (€138.5 million) increased by 13% (+6% like-for-like). As in 2014, they accounted for 58% of total revenues.

Revenues from recurring contracts—which contributed 58% of recurring revenues and 33% of total revenues—totaled €79.7 million, a 11% increase (+5% like-for-like):

- Revenues from software evolution and online services contracts (€46 million), up 10% compared with 2014, represented 19% of total revenues;
- Revenues from CAD/CAM equipment maintenance and online services contracts (€33.7 million), which increased by 13%, contributed 14% of total revenues.

Revenues from consumables and spare parts (€58.8 million), meanwhile, increased by 15% (+7% like-for-like) and represented 25% of total revenues (24% in 2014).

Order Backlog

At December 31, 2015, the order backlog for new systems (€23 million) was up €3.5 million relative to December 31, 2014 at actual exchange rates.

This backlog comprised orders for new software licenses and CAD/CAM equipment totaling €17 million, comprising €14.1 million for shipment in Q1 2016, and €2.9 million over the rest of the year, and €6.1 million for training and consulting, to be delivered as projects progress.

Gross Profit

Gross profit amounted to €179.3 million. The €23.6 million increase relative to 2014 represents almost 90% of the growth in revenues.

The overall gross profit margin was 75.4%. It increased by 1.7 percentage points relative to 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 0.5 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 accounted for in selling, general, and administrative expenses.

Overhead Costs

Total overhead costs were €147.5 million, up 9% (+4% like-for-like).

The breakdown is as follows:

- €132.8 million in fixed overhead costs (+9%; +5% like-for-like). Investments for the future related to the transformation plan, which are fully expensed in the period, represented €18.1 million, or 14% of the total amount;
- €14.7 million in variable costs (+5%; –3% like-for-like).

R&D costs are fully expensed in the period and included in overhead costs. They amounted to €22.4 million and represented 9.4% of revenues (€21.7 million and 10.2% in 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 €14.3 million (€13.5 million in 2014).

Income from Operations and Net Income

Income from operations was €31.8 million, an increase of €12 million (+61%; +16% like-for-like).

This €12 million increase stems from the positive impact of the growth in recurring revenues (€5.4 million), in revenues from new systems sales (€2.5 million), in gross profit margins (€1.2 million), and from the positive impact of currency fluctuations (€8.9 million). These impacts were partly offset by the natural increase in fixed overhead costs (€2.2 million), and the increase in investments for the future related to the company's transformation plan (€3.9 million).

Financial income and expenses represented a net charge of €0.2 million. Foreign exchange gains and losses generated a net loss of €0.5 million.

After an income tax expense of €7.7 million, net income amounted to €23.4 million, up 63% (€14.4 million in 2014).

Net earnings per share were €0.76 on basic capital and €0.74 on diluted capital (€0.48 on basic capital and €0.47 on diluted capital in 2014).

Free Cash Flow

Free cash flow amounted to €21.5 million, versus €19 million in 2014. This includes the receipt of €4.8 million in 2015 and €5.7 million in 2014 corresponding to the non-deducted research tax credit for fiscal 2011 and 2010.

The research tax credit (€6.9 million) and the competitiveness and employment tax credit (€0.8 million) for 2015, applicable in France, were accounted for but not received. If they had been received, free cash flow would have been €24.5 million, excluding the 2011 research tax credit reimbursement, compared to €21 million in 2014, computed on the same basis.

Shareholders' Equity

At December 31, 2015, shareholders' equity increased by €18.7 million compared to December 31, 2014 and reached €113 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. €0.2 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 €59.3 million. At December 31, 2014, they were €43.5 million and €43.1 million respectively .

The working capital requirement was negative at €3.2 million. This includes the receivable of €23.7 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 €27 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.

5. APPROPRIATION OF EARNINGS

Dividend Raised to €0.30 per Share

The Board of Directors will propose to the annual Ordinary Shareholders' Meeting of April 29, 2016 to increase the dividend to €0.30 per share (+20%) in respect of FY 2015. This dividend would represent a payout ratio of 40% of 2015 net income and a yield of 2.5% based on the December 31, 2015 closing share price.

Previous dividends were €0.25 per share in respect of fiscal 2014 and €0,22 in respect of fiscal 2013, 2012 and 2011.

Subject to approval by the shareholders, the dividend will be made payable on May 6, 2016.

6. SHARE CAPITAL – OWNERSHIP – SHARE PRICE PERFORMANCE

Change in Share Capital

At December 31, 2015, the share capital totaled €30,786,399, divided into 30,786,399 shares with a par value of €1.00.

Share capital has increased by €457,285 (with a total share premium of €1,736,568) due to the creation of 457,285 shares since January 1, 2015, resulting from the exercise of stock options.

On February 10, 2015, Delta Lloyd Asset Management NV (Netherlands), acting on behalf of its funds and clients under management, reported that it had decreased its shareholding below the thresholds of 10% of the company's capital stock and voting rights, and that, at that date, it held 9.77% of the capital stock and 9.65% of the voting rights.

In February 2015, Schroder Investment Management Ltd (UK), acting on behalf of its funds and clients under management, also reported that it had decreased its shareholding below the thresholds of 10% of the company's capital stock and voting rights. On December 9, 2015, Schroder reported that it had decreased its shareholding below the thresholds of 5% of the company's capital stock and voting rights, and that at that date it held 4.86% of the capital stock and 4.81% of the voting rights.

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 35.7% of the voting rights;
- Delta Lloyd Asset Management NV, which holds 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 December 31, 2015, the company held less than 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 December 31, 2015, was €12.10, up 32% compared with December 31, 2014 (€9.14). During the year, 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 9% and 18% respectively in 2015.

According to Euronext statistics, the number of shares traded on Euronext (8.7 million) was up 28%, and trading volumes (€101.9 million) up 86% compared with 2014. These figures do not include trading on any other trading platform.

In its press release of March 30, 2015, Lectra confirmed that it is eligible for inclusion in French SME ("PEA-PME") equity savings plans qualifying for tax relief in France dedicated to investments in European small- and mid-cap companies.

7. SIGNIFICANT POST-CLOSING EVENTS

No significant event has occurred since December 31, 2015.

8. FINANCIAL CALENDAR

The Annual Shareholders' Meeting will take place on April 29, 2016.

First, second, and third quarter earnings for 2016 will be published on April 28, July 28, and October 27, 2016, respectively, after the close of trading on Euronext. Full year earnings for 2016 will be published on February 9, 2017.

9. BUSINESS TRENDS AND OUTLOOK

2016 Outlook

The company entered 2016 with even more solid operating fundamentals than in 2015 and an even stronger balance sheet. Lectra newly formed sales teams should progressively gain momentum.

However, 2016 looks unpredictable once again. Persistent macroeconomic, geopolitical and monetary uncertainty, together with increased risks, are liable to continue to disrupt the revival of confidence and to weigh heavily on companies' investment decisions.

As in previous years, the main uncertainty concerns the level of orders for new systems sales and corresponding revenues. Visibility remains limited, calling for continued caution.

In this context, the company's objectives are a growth in revenues of 6% to 12% and a growth of income from operations of 8% to 25%.

These variations are like-for-like, on the basis of 2015 financial results restated at 2016 exchange rates. The company has based its 2016 scenarios on exchange rates at December 31, 2015, notably $1.10/€1.

The company has not hedged its currency exposure for 2016.

Company Confident in its Medium-Term Growth Prospects

Given the expected positive effects of Lectra's transformation plan, orders for new systems should begin to accelerate once the macroeconomic context has stabilized and returned to normal.

More than ever, the whole company is focused on stepping up growth in its sales activity.

Bolstered by the strength of its business model, increasingly robust operating fundamentals, a further reinforced balance sheet, and the relevance of its strategy, the company remains confident in its growth prospects for the medium term. It plans to unveil its new 2017-2019 roadmap on February 9, 2017, on the occasion of the publication of the financial statements for the fourth quarter and full year of 2016.

The Board of Directors

February 11, 2016

Company Certification of the Fourth Quarter and Fiscal Year 2015 Report

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

Paris, February 11, 2016

Daniel Harari
Chief Executive Officer

Jérôme Viala
Chief Financial Officer

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

At December 31

(in thousands of euros)	2015	2014[1]
Goodwill	32,769	31,724
Other intangible assets	4,890	4,406
Property, plant and equipment	19,706	16,447
Non-current financial assets	2,100	2,048
Deferred tax assets	8,696	8,005
Total non-current assets	68,161	62,630
Inventories	23,326	21,848
Trade accounts receivable	53,404	50,531
Other current assets	31,493	32,149
Cash and cash equivalents	59,347	43,484
Total current assets	167,570	148,012
Total assets	**235,731**	**210,642**

EQUITY AND LIABILITIES

(in thousands of euros)	2015	2014[1]
Share capital	30,786	30,329
Share premium	9,018	7,282
Treasury shares	(203)	(133)
Currency translation adjustments	(8,194)	(8,503)
Retained earnings and net income	81,547	65,327
Total equity	112,954	94,302
Retirement benefit obligations	8,420	8,479
Borrowings, non-current portion	-	-
Total non-current liabilities	8,420	8,479
Trade and other current payables	57,561	53,216
Deferred revenues	50,325	48,096
Current income tax liabilities	3,561	2,857
Borrowings, current portion	-	394
Provisions for other liabilities and charges	2,910	3,298
Total current liabilities	114,357	107,861
Total equity and liabilities	**235,731**	**210,642**

(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 December 31, 2014 (see note 2 "Summary of accounting rules and methods").

CONSOLIDATED INCOME STATEMENT

(in thousands of euros)	Three months ended December 31, 2015	Twelve months ended December 31, 2015	Three months ended December 31, 2014[(1)]	Twelve months ended December 31, 2014[(1)]
Revenues	62,188	237,886	57,428	211,336
Cost of goods sold	(15,740)	(58,580)	(14,955)	(55,606)
Gross profit	46,448	179,306	42,473	155,730
Research and development	(4,155)	(14,317)	(4,124)	(13,479)
Selling, general and administrative expenses	(33,436)	(133,169)	(31,797)	(122,445)
Income from operations	8,858	31,820	6,552	19,806
Financial income	82	245	16	394
Financial expenses	(111)	(462)	(84)	(418)
Foreign exchange income (loss)	171	(487)	(119)	(361)
Income before tax	8,999	31,116	6,365	19,421
Income tax	(1,592)	(7,738)	(1,595)	(5,051)
Net income	**7,407**	**23,377**	**4,770**	**14,370**

(in euros)				
Earnings per share:				
- basic	0.24	0.76	0.16	0.48
- diluted	0.24	0.74	0.15	0.47
Shares used in calculating earnings per share				
- basic	30,750,312	30,625,563	30,214,523	29,961,651
- diluted	31,477,282	31,498,591	30,920,311	30,750,854

STATEMENT OF COMPREHENSIVE INCOME

(in thousands of euros)	Three months ended December 31, 2015	Twelve months ended December 31, 2015	Three months ended December 31, 2014[(1)]	Twelve months ended December 31, 2014[(1)]
Net income	7,407	23,377	4,770	14,370
Currency translation adjustments	(195)	224	299	382
Tax effect	-	85	(164)	(164)
Other comprehensive income to be reclassified in net income	(195)	309	135	218
Remeasurement of the net liability arising from defined benefits pension plans	229	398	(865)	(960)
Tax effect	(65)	(108)	283	311
Other comprehensive income not to be reclassified in net income	164	290	(582)	(649)
Total other comprehensive income	(31)	599	(446)	(431)
Comprehensive income	**7,376**	**23,976**	**4,324**	**13,939**

(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 December 31, 2014 (see note 2 "Summary of accounting rules and methods").

CONSOLIDATED STATEMENT OF CASH FLOWS

Twelve months ended December 31 (in thousands of euros)	2015	2014[(1)]
I - OPERATING ACTIVITIES		
Net income	23,377	14,370
Net depreciation, amortization and provisions	7,276	4,778
Non-cash operating expenses	(553)	(1,051)
Loss (profit) on sale of fixed assets	(5)	63
Changes in deferred income taxes	(393)	(304)
Changes in inventories	(2,618)	(1,435)
Changes in trade accounts receivable	(2,593)	3,872
Changes in other current assets and liabilities	5,159	5,458
Net cash provided by (used in) operating activities	29,650	25,751
II - INVESTING ACTIVITIES		
Purchases of intangible assets	(2,083)	(1,898)
Purchases of property, plant and equipment	(6,134)	(4,880)
Proceeds from sales of intangible assets and property, plant and equipment	58	47
Acquisition cost of activities purchased[(2)]	-	(1,560)
Purchases of financial assets[(3)]	(2,740)	(2,547)
Proceeds from sales of financial assets[(3)]	2,787	2,574
Net cash provided by (used in) investing activities	(8,112)	(8,264)
III - FINANCING ACTIVITIES		
Proceeds from issuance of ordinary shares	2,194	2,904
Dividends paid	(7,646)	(6,554)
Purchases of treasury shares	(2,629)	(2,403)
Sales of treasury shares	2,603	2,401
Flows on financial derivatives qualifying net investment hedges	-	484
Repayments of long-term and short-term borrowings	(394)	(500)
Net cash provided by (used in) financing activities	(5,872)	(3,668)
Increase (decrease) in cash and cash equivalents	**15,666**	**13,819**
Cash and cash equivalents at opening	43,484	29,534
Increase (decrease) in cash and cash equivalents	15,666	13,819
Effect of changes in foreign exchange rates	197	131
Cash and cash equivalents at closing	59,347	43,484
Free cash flow before non-recurring items	21,538	19,047
Non-recurring items of the free cash flow	-	-
Free cash flow	21,538	19,047
Income tax (paid) / reimbursed, net	(4,262)	(2,997)
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 December 31, 2014 (see note 2 “Summary of accounting rules and methods”).

(2) At December 31, 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 counterpart is shown in the corresponding cash flows arising from financing activities.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in thousands of euros, except for par value per share expressed in euros)	Share capital							
	Number of shares	Par value per share	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							14,370	14,370
Other comprehensive income						218	(649)	(431)
Comprehensive income						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							23,377	23,377
Other comprehensive income						309	290	599
Comprehensive income						309	23,667	23,976
Exercised stock options	457,285	1.00	457	1,737				2,194
Fair value of stock options							167	167
Sale (purchase) of treasury shares					(70)			(70)
Profit (loss) on treasury shares							30	30
Dividends paid							(7,646)	(7,646)
Balance at December 31, 2015	**30,786,399**	**1.00**	**30,786**	**9,018**	**(203)**	**(8,194)**	**81,547**	**112,954**

(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 and at December 31, 2014 (see note 2 "Summary of accounting rules and methods").

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 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 more than 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 33 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 2015. 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 more than 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 consolidated financial statements at December 31, 2015 have been prepared in accordance with the same rules and methods as those applied in the preparation of the 2014 financial statements, completed by the application of the IFRIC 21 interpretation presented below. They have been prepared under the responsibility of the Board of Directors that reviewed and approved them at its meeting of February 11, 2016. Audit procedures have been applied to the consolidated financial statements. The statutory auditors' certification report will be issued after the Board of Directors meeting on February 25, 2016, which will approve the notes to the consolidated financial statements. The Q4 financial statements have not been reviewed separately by the 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 €137,000 at January 1, 2014 and by €154,000 at December 31, 2014.

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

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 North Africa, South Africa, Turkey, Israel, and the Middle East. These regions are involved in sales and the provision of services to their customers. They do not perform any industrial activities or R&D. They draw on centralized competencies and a wide array of functions that are pooled among all of the regions, including marketing, communication, logistics, procurement, production, R&D, finance, legal affairs, human resources, information systems, etc. 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 December 31, 2015, the Group's scope of consolidation comprised the parent company, Lectra SA, together with 29 fully-consolidated companies.

In October 2015, the company created a new subsidiary, Lectra Tunisie CP, whose only business is the sale of consumables and spare parts in Tunisia. Since October 1, 2015, this subsidiary has taken over this business, which was until then managed and invoiced directly by Lectra SA in France, as the first subsidiary Lectra Systèmes Tunisie is limited to selling services. The impact of the creation of Lectra Tunisie CP on the income statement and the statement of financial position of the Group is immaterial.

There was no other change in the scope of consolidation in 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 December 31, 2015, their combined revenues totaled €1.2 million, and their combined assets in their statement of financial position totaled €2.5 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 December 31, 2015.

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

4.1. Q4 2015

	Three Months Ended December 31				
	2015		2014[1]	Changes 2015/2014	
(in thousands of euros)	Actual	At 2014 exchange rates	Actual	Actual	Like-for-like
Revenues	62,188	58,988	57,428	+8%	+3%
Cost of goods sold	(15,740)	(15,449)	(14,955)	+5%	+3%
Gross profit	46,448	43,539	42,473	+9%	+3%
(in % of revenues)	74.7%	73.8%	74.0%	+0.7 points	-0.2 points
Research and development	(4,155)	(4,156)	(4,124)	+1%	+1%
Selling, general and administrative expenses	(33,436)	(32,402)	(31,797)	+5%	+2%
Income from operations	8,857	6,981	6,552	+35%	+7%
(in % of revenues)	14.2%	11.8%	11.4%	+2.8 points	+0.4 points
Income before tax	8,999	7,122	6,365	+41%	+12%
Income tax	(1,592)	na	(1,595)	0%	na
Net income	7,407	na	4,770	+55%	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 December 31, 2014 (see note 2 "Summary of accounting rules and methods").

4.2. Fiscal Year 2015

	Twelve Months Ended December 31				
	2015		2014[1]	Changes 2015/2014	
(in thousands of euros)	Actual	At 2014 exchange rates	Actual	Actual	Like-for-like
Revenues	237,886	221,523	211,336	+13%	+5%
Cost of goods sold	(58,580)	(57,127)	(55,606)	+5%	+3%
Gross profit	179,306	164,396	155,730	+15%	+6%
(in % of revenues)	75.4%	74.2%	73.7%	+1.7 points	+0.5 points
Research and development	(14,317)	(14,317)	(13,479)	+6%	+6%
Selling, general and administrative expenses	(133,169)	(127,189)	(122,445)	+9%	+4%
Income from operations	31,820	22,890	19,806	+61%	+16%
(in % of revenues)	13.4%	10.3%	9.4%	+4.0 points	+0.9 points
Income before tax	31,116	22,186	19,421	+60%	+14%
Income tax	(7,738)	na	(5,051)	+53%	na
Net income	23,377	na	14,370	+63%	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 December 31, 2014 (see note 2 "Summary of accounting rules and methods").

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

5.1. Q4 2015

Revenues by geographic region

(in thousands of euros)	Three Months Ended December 31						
	2015			2014		Changes 2015/2014	
	Actual	%	At 2014 exchange rates	Actual	%	Actual	Like-for-like
Europe, of which:	25,830	42%	25,656	27,510	48%	-6%	-7%
- France	4,421	7%	4,428	4,582	8%	-4%	-3%
Americas	19,100	31%	17,312	14,829	26%	+29%	+17%
Asia-Pacific	13,890	22%	12,613	11,147	19%	+25%	+13%
Other countries	3,368	5%	3,407	3,942	7%	-15%	-14%
Total	62,188	100%	58,988	57,428	100%	+8%	+3%

Revenues by product line

(in thousands of euros)	Three Months Ended December 31						
	2015			2014		Changes 2015/2014	
	Actual	%	At 2014 exchange rates	Actual	%	Actual	Like-for-like
Software, of which:	17,673	28%	16,990	16,755	29%	+5%	+1%
- New licenses	5,977	10%	5,671	5,872	10%	+2%	-3%
- Software evolution and online services contracts	11,696	19%	11,319	10,883	19%	+7%	+4%
CAD/CAM equipment	16,370	26%	15,108	15,519	27%	+5%	-3%
Hardware maintenance and online services contracts	8,577	14%	8,153	7,915	14%	+8%	+3%
Consumables and spare parts	15,894	26%	15,206	14,065	24%	+13%	+8%
Training and consulting services	3,051	5%	2,928	2,640	5%	+16%	+11%
Miscellaneous	623	1%	603	534	1%	+17%	+13%
Total	62,188	100%	58,988	57,428	100%	+8%	+3%

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

(in thousands of euros)	Three Months Ended December 31						
	2015			2014		Changes 2015/2014	
	Actual	%	At 2014 exchange rates	Actual	%	Actual	Like-for-like
Revenues from new systems sales(1)	26,021	42%	24,311	24,565	43%	+6%	-1%
Recurring revenues(2), of which:	36,167	58%	34,677	32,863	57%	+10%	+6%
- Recurring contracts	20,273	32%	19,471	18,798	33%	+8%	+4%
- Consumables and spare parts	15,894	26%	15,206	14,065	24%	+13%	+8%
Total	62,188	100%	58,988	57,428	100%	+8%	+3%

(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. Fiscal Year 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
Europe, of which:	101,420	43%	101,005	98,203	46%	+3%	+3%
- France	16,625	7%	16,663	16,620	8%	0%	0%
Americas	65,955	28%	57,254	51,620	24%	+28%	+11%
Asia-Pacific	55,842	23%	48,973	47,770	23%	+17%	+3%
Other countries	14,669	6%	14,291	13,743	7%	+7%	+4%
Total	237,886	100%	221,523	211,336	100%	+13%	+5%

Twelve Months Ended December 31

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
Software, of which:	69,732	29%	65,822	63,430	30%	+10%	+4%
- New licenses	23,728	10%	22,077	21,784	10%	+9%	+1%
- Software evolution and online services contracts	46,004	19%	43,745	41,646	20%	+10%	+5%
CAD/CAM equipment	61,292	26%	55,889	54,330	26%	+13%	+3%
Hardware maintenance and online services contracts	33,694	14%	31,340	29,852	14%	+13%	+5%
Consumables and spare parts	58,837	25%	54,872	51,256	24%	+15%	+7%
Training and consulting services	12,168	5%	11,514	10,368	5%	+17%	+11%
Miscellaneous	2,163	1%	2,086	2,100	1%	+3%	-1%
Total	237,886	100%	221,523	211,336	100%	+13%	+5%

Twelve Months Ended December 31

Breakdown of revenues between 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
Revenues from new systems sales (1)	99,351	42%	91,566	88,582	42%	+12%	+3%
Recurring revenues (2), of which:	138,535	58%	129,957	122,754	58%	+13%	+6%
- Recurring contracts	79,698	33%	75,085	71,498	34%	+11%	+5%
- Consumables and spare parts	58,837	25%	54,872	51,256	24%	+15%	+7%
Total	237,886	100%	221,523	211,336	100%	+13%	+5%

Twelve Months Ended December 31

(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)	2015 Actual	2015 %	2015 At 2014 exchange rates	2014 Actual	2014 %	Changes 2015/2014 Actual	Changes 2015/2014 Like-for-like
Fashion and apparel	47,078	47%	43,205	41,371	46%	+14%	+4%
Automotive	33,485	34%	30,713	35,433	40%	-5%	-13%
Furniture	13,524	14%	12,781	5,832	7%	+132%	+119%
Other industries	5,264	5%	4,867	5,946	7%	-11%	-18%
Total	99,351	100%	91,566	88,582	100%	+12%	+3%

Twelve Months Ended December 31

6. OPERATING SEGMENTS INFORMATION

Twelve months ended December 31, 2015 (in thousands of euros)	Europe	Americas	Asia-Pacific	Other countries	Corporate	Total
Revenues	101,420	65,955	55,842	14,669	-	237,886
Income (loss) from operations	11,064	5,126	(1,855)	1,835	15,650	31,820

Twelve months ended December 31, 2014 (in thousands of euros)	Europe	Americas	Asia-Pacific	Other countries	Corporate	Total
Revenues	98,203	51,619	47,770	13,744	-	211,336
Income (loss) from operations[(1)]	9,415	1,699	348	1,985	6,359	19,806

(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 December 31, 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

Twelve months ended December 31, 2015 (in thousands of euros)	Cash and cash equivalents	Financial debts	Net cash (+) Net debt (–)
Free cash flow	21,538	-	21,538
Proceeds from issuance of ordinary shares[(1)]	2,194	-	2,194
Sale and purchase of treasury shares[(2)]	(26)	-	(26)
Dividends paid	(7,646)	-	(7,646)
Change in borrowings	(394)	394	-
Impact of currency variations – other	197	-	197
Change in cash position for the period	15,863	394	16,257
Cash position at December 31, 2014	43,484	(394)	43,090
Cash position at December 31, 2015	59,347	-	59,347
Change in cash position for the period	15,863	394	16,257

(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 December 31, 2015, was €21.5 million. This figure results from a combination of €29.7 million in cash flows provided by operating activities (including an increase in working capital requirement of €0.1 million) and capital expenditures of €8.1 million.

The amount of capital expenditures has increased by €1.4 million in 2015 when compared to 2014, owing to the acceleration, in 2015, of the rehabilitation and extension program of the Bordeaux-Cestas facilities, started in 2014 and due to last until early 2017, for a total budget of €8 million to €10 million.

The main variations in working capital requirement were:

- +€2.6 million corresponding to the increase in trade accounts receivable following the sharp rise of revenues (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;

- +€0.7 million arising from the increase of the receivable held by Lectra SA on the French tax administration *(Trésor public)* corresponding to the research tax credit, after deduction from the corporate income tax due for the year, and net of the 2011 research tax credit reimbursed (€4.8 million);
- –€3.7 million corresponding to an increase in trade accounts payable;
- –€1.6 million corresponding to the increase of customer down payments in the statement of financial position, due to new systems orders in Q4 2015 being higher than those in Q4 2014;
- –€0.5 million arising from the change in other current assets and liabilities; taken individually, these changes are all immaterial.

The working capital requirement at December 31, 2015, was negative at €3.2 million. It comprised a receivable of €23.7 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 corporate income tax expense (see note 8 hereafter). Restated for this receivable, the working capital requirement was negative at €27 million, which is a key feature of the Group's business model.

8. RESEARCH TAX CREDIT – COMPETITIVENESS AND EMPLOYMENT TAX CREDIT

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, 2014 and 2015 have been entirely deducted from the corporate income tax due by Lectra SA.

Thus, at December 31, 2015, Lectra SA held a €23.7 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 (€5.7 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, from which will be deducted in full the competitiveness and employment tax credit, and, when applicable, the research tax credit 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 224,037 shares and sold 220,629 shares at an average price of €11.74 and €11.80 respectively under the Liquidity Agreement administered by Exane BNP Paribas.

At December 31, 2015, the company held 18,340 Lectra shares (i.e. less than 0.1% of the share capital) with an average purchase price of €11.06 entirely under the Liquidity Agreement.

10. CASH AND CASH EQUIVALENTS AND NET CASH

(in thousands of euros)	December 31, 2015	December 31, 2014
Cash and cash equivalents	59,347	43,484
Borrowings and financial debts	-	(394)
Net cash	59,347	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 €59.3 million.

11. FOREIGN EXCHANGE RISK

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

In 2015, the average parity between the US dollar and the euro was $1.11/€1.

Exchange Risk Hedging Instruments

Exchange risk hedging instruments at December 31, 2015 comprised forward sales or purchases of foreign currencies (mainly US dollar) for a net total equivalent value (sales minus purchases) of €4.7 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 December 31, 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 2016 scenarios on the December 31, 2015 exchange rates for the currencies in which the Group generates its revenues, notably $1.10/€1.

Translating 2015 results at exchange rates set for 2016 mechanically decreases 2015 revenues and operating income by € 1.6 million and € 0.3 million respectively, to € 236.3 million and € 31.5 million. Operating margin decreases by 0.1 percentage points to 13.3%. Despite the positive impact of the $/€ parity set for 2016 ($1.10/€1 for 2016 and $1.11/€1 in 2015), the parities set for other currencies generate negative impacts and the overall mechanical decrease aforementioned.

In view of the estimated share of revenues and costs denominated in US dollars or in currencies correlated with the US dollar, a 5-cent fall in the euro against the US dollar (leading to an exchange rate of $1.05/€1) would mechanically increase 2016 revenues by approximately €4.4 million and income from operations by €2.4 million. Conversely, a 5-cent appreciation of the euro against the US dollar (i.e. $1.15/€1) would mechanically reduce revenues and income from operations by the same amounts.

The parity is $1.13/€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 dissimilar both in direction (upward and downward) and in scale.