MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS FOR FIRST-QUARTER 2016

Dear Shareholders,

We report below on Lectra Group's business activity and consolidated financial statements for the first quarter ending March 31, 2016.

Detailed comparisons between 2016 and 2015 are based on 2015 exchange rates ("like-for-like") unless stated otherwise.

1. SUMMARY OF OPERATIONS FOR Q1 2016

With an average parity of $1.10/€1 in Q1, the US dollar was up 2% compared to Q1 2015 ($1.13/€1). For its part, the yuan declined 3%, many emerging markets' currencies also declined. Despite the appreciation of the US dollar, changes in currencies thus mechanically decreased revenues by €0.6 million (–1%) and income from operations by €0.4 million (–6%) at actual exchange rates compared with like-for-like figures.

Strong Growth in Orders for CAD/CAM Equipment

Orders for new systems totaled €26.1 million, up €4.9 million (+23%) compared with Q1 2015 (€21.3 million). Growth was also 23% at actual exchange rates.

Orders for CAD/CAM equipment (€17.5 million) increased by 41%, while those for new software licenses (€5.6 million) were stable. Orders for training and consulting (€2.5 million) decreased by 6%, due to the absence of any major project.

Strong Growth in Income from Operations and Net Income

Revenues totaled €62.2 million, up 12% compared with Q1 2015 (+11% at actual exchange rates).

Revenues from new systems sales increased by 19%, recurring revenues by 7%: +4% for recurring contracts, +11% for consumables and parts.

Income from operations amounted to €7.3 million, up 39% (+31% at actual exchange rates).

The operating margin amounted to 11.8%, increasing by 2.4 percentage points (+1.8 percentage points at actual exchange rates).

Net income amounted to €5.1 million, up €1.4 million (+38%) at actual exchange rates.

Finally, free cash flow amounted to €3.8 million (compared with a negative €1.2 million in Q1 2015).

A Zero-Debt Company, Shareholders' Equity Further Reinforced

Consolidated shareholders' equity reached €118.1 million.

Cash and cash equivalents and net cash position totaled €63.4 million.

2. CONSOLIDATED FINANCIAL STATEMENTS FOR Q1 2016

Revenues

Revenues totaled €62.2 million, up 12% compared with Q1 2015 (+11% at actual exchange rates).

Revenue distribution by geographical markets and market sectors is reported on an indicative basis in note 5 of the notes to this report. Trends for the fiscal year cannot be extrapolated from their variations over one single quarter.

Revenues from New Systems Sales

Overall, revenues from new systems sales (€27.2 million) increased by 19%. They represented 44% of total revenues (41% in 2015).

Like-for-like:

- Revenues from new software licenses (€5.9 million) were stable and accounted for 10% of total revenues (11% in 2015);
- CAD/CAM equipment revenues (€18 million) increased by 35% and accounted for 29% of total revenues (24% in 2015);
- Training and consulting decreased by 11% to €2.7 million and accounted for 4% of total revenues (5% in 2015).

Revenues from Recurring Contracts and Consumables and Parts

Recurring revenues (€35 million) increased by 7%. They accounted for 56% of total revenues (59% in 2015).

Revenues from recurring contracts—which contributed 57% of recurring revenues and 32% of total revenues—totaled €20.1 million, a 4% increase:

- Revenues from software evolution and online services contracts (€11.7 million), up 5% compared with 2015, represented 19% of total revenues;
- Revenues from CAD/CAM equipment maintenance and online services contracts (€8.5 million), which increased by 2%, contributed 14% of total revenues.

Revenues from consumables and parts (€14.9 million), meanwhile, increased by 11% and represented 24% of total revenues, as in 2015.

Order Backlog

At March 31, 2016, the order backlog for new systems (€21.5 million) was down €1.5 million at actual exchange rates relative to December 31, 2015; it was up €2.5 million relative to March 31, 2015.

This backlog comprised orders for new software licenses and CAD/CAM equipment totaling €15.8 million, including €14.9 million for shipment in Q2 2016, and €0.9 million thereafter, and €5.7 million for training and consulting, to be delivered as projects progress.

Gross Profit

Gross profit amounted to €45.9 million.

The overall gross profit margin was 73.8%. Like-for-like and given changes in the sales mix, it decreased by 2 percentage points relative to Q1 2015.

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 €38.6 million, up €1.7 million (+5%) compared with Q1 2015.

The breakdown is as follows:

- €35 million in fixed overhead costs (+5%);
- €3.6 million in variable costs (+3%).

R&D costs (€5.7 million) are fully expensed in the period and included in overhead costs and represented 9.2% of revenues (€5.4 million and 9.6% in Q1 2015). After deducting the research tax credit and the corresponding portion of the competitiveness and employment tax credit applicable in France, net R&D costs amounted to €4 million (€3.6 million in 2015).

Income from Operations and Net Income

Income from operations was €7.3 million, an increase of €2.2 million (+39%) like-for-like and €1.7 million (+31%) at actual exchange rates compared with Q1 2015.

The operating margin was 11.8%, up 2.4 percentage points like-for-like and 1.8 percentage points at actual exchange rates.

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

After an income tax expense of €2 million, net income amounted to €5.1 million, up 38% at actual exchange rates (€3.7 million in Q1 2015).

Net earnings per share were €0.17 on basic capital and €0.16 on diluted capital (€0.12 on basic capital and diluted capital in Q1 2015).

Free Cash Flow

Free cash flow amounted to €3.8 million, compared with a negative €1.2 million for Q1 2015.

The research tax credit (€1.7 million) and the competitiveness and employment tax credit (€0.2 million) for Q1 2016 were accounted for but not received. If they had been received, free cash flow would have been €5.7 million.

Shareholders' Equity

At March 31, 2016, consolidated shareholders' equity amounted to €118.1 million (€113 million at December 31, 2015).

The company has been debt free since March 31, 2015. Cash and cash equivalents as well as net cash position totaled €63.4 million. They amounted to €59.3 million at December 31, 2015.

Subject to approval by the shareholders at the Annual Meeting of April 29, 2016, shareholders' equity, cash and cash equivalents and net cash will be reduced by payment of the dividend of €0.30 per share, to be paid on May 6, declared in respect of FY 2015 (€9.3 million).

The working capital requirement was negative at €0.5 million. This includes the receivable of €24.9 million on the French tax administration *(Trésor public)* corresponding to the research tax credits 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 €25.4 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 fourth year. Thus, the company expects to receive reimbursement of the remainder of the 2012 research tax credit (€5.1 million) in the course of the year.

3. SHARE CAPITAL – OWNERSHIP – SHARE PRICE PERFORMANCE

Change in Share Capital

At March 31, 2016, the share capital totaled €30,928,184, divided into 30,928,184 shares with a par value of €1.00.

Share capital has increased by €141,785 (with a total share premium of €365,307) due to the creation of 141,785 shares since January 1, 2016 resulting from the exercise of stock options.

Main Shareholders

On April 8, 2016, Allianz SE reported that, through companies controlled by it, it had increased its shareholding above the thresholds of 5% of the company's capital stock and voting rights on April 4, 2016, and that, at that date, it held 5.06% of the capital stock and 5% of the voting rights.

No other crossing of statutory thresholds has been notified to the company since January 1, 2016.

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

- André Harari and Daniel Harari together hold 35.9% of the capital and 35.6% of the voting rights;
- Delta Lloyd Asset Management NV (Netherlands), on behalf of investment funds and clients managed by it, and Allianz SE (Germany), through companies controlled by it, each hold more than 5% (but less than 10%) of the capital and the voting rights.

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

Treasury Shares

At March 31, 2016, the company held 0.05% 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 March 31, 2016, was €12.78, up 6% compared with December 31, 2015 (€12.10). It reached a low of €10.76 on February 11 and a high of €13.64 on February 17.

The CAC 40 index and the CAC Mid & Small index fell by 5% and 4% respectively over the first three months of this year.

According to Euronext statistics, the number of shares traded on Euronext (1.2 million) fell by 65%, and trading volumes (€14.8 million) were down 62% compared with Q1 2015. These figures do not include trading on any other trading platform.

In its press release of April 4, 2016, 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.

4. SIGNIFICANT POST-CLOSING EVENTS

No significant event has occurred since March 31, 2016.

5. FINANCIAL CALENDAR

The 2015 annual report was published on Lectra's website on March 31. Two interactive versions, illustrated with video testimonials and other multimedia content are also available: a rich media electronic version on lectra.com and an iPad application on App Store.

The annual Shareholders' Meeting will be held on April 29, 2016.

Subject to approval by the shareholders, the dividend will be paid on May 6.

The first-half 2016 financial results will be published on July 28, after the close of trading on Euronext.

6. BUSINESS TRENDS AND OUTLOOK

The company entered 2016 with even more solid operating fundamentals than in 2015 and an even stronger balance sheet.

The company reported on its business trends and outlook in its February 11, 2016 financial report and in its annual report, to which readers are invited to refer, emphasizing that 2016 looked unpredictable once again. Persistent macroeconomic, geopolitical and monetary uncertainty was liable to continue to weigh heavily on companies' investment decisions.

In this context, the company indicated that its objectives for FY 2016 were to achieve a growth in revenues of 6% to 12% and a growth in income from operations of 8% to 25%, like-for-like.

First-quarter business activity and financial results are in line with these objectives.

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.

The Board of Directors

April 28, 2016

Company Certification of the First Quarter 2016

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

Paris, April 28, 2016

Daniel Harari	Jérôme Viala
Chief Executive Officer	Chief Financial Officer

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

(in thousands of euros)	March 31, 2016	December 31, 2015	March 31, 2015
Goodwill	32,286	32,769	32,949
Other intangible assets	4,581	4,890	4,770
Property, plant and equipment	19,376	19,706	17,780
Non-current financial assets	2,084	2,100	2,312
Deferred tax assets	8,318	8,696	8,292
Total non-current assets	66,645	68,161	66,103
Inventories	24,703	23,326	23,840
Trade accounts receivable	43,202	53,404	46,343
Other current assets	34,897	31,493	36,375
Cash and cash equivalents	63,414	59,347	43,512
Total current assets	166,216	167,570	150,070
Total assets	**232,861**	**235,731**	**216,173**

EQUITY AND LIABILITIES

(in thousands of euros)	March 31, 2016	December 31, 2015	March 31, 2015
Share capital	30,928	30,786	30,583
Share premium	9,384	9,018	8,145
Treasury shares	(208)	(203)	(187)
Currency translation adjustments	(8,706)	(8,194)	(8,063)
Retained earnings and net income	86,727	81,547	69,147
Total equity	118,125	112,954	99,625
Retirement benefit obligations	8,495	8,420	8,559
Borrowings, non-current portion	-	-	-
Total non-current liabilities	8,495	8,420	8,559
Trade and other current payables	51,500	57,561	50,986
Deferred revenues	48,106	50,325	50,371
Current income tax liabilities	3,721	3,561	3,531
Borrowings, current portion	-	-	-
Provisions for other liabilities and charges	2,914	2,910	3,101
Total current liabilities	106,241	114,357	107,989
Total equity and liabilities	**232,861**	**235,731**	**216,173**

CONSOLIDATED INCOME STATEMENT

(in thousands of euros)	Three months ended March 31, 2016	Three months ended March 31, 2015
Revenues	62,214	56,120
Cost of goods sold	(16,285)	(13,371)
Gross profit	45,929	42,749
Research and development	(3,961)	(3,559)
Selling, general and administrative expenses	(34,629)	(33,580)
Income from operations	7,339	5,610
Financial income	57	88
Financial expenses	(105)	(110)
Foreign exchange income (loss)	(184)	(125)
Income before tax	7,108	5,463
Income tax	(1,978)	(1,752)
Net income	**5,130**	**3,711**

(in euros)		
Earnings per share:		
- basic	0.17	0.12
- diluted	0.16	0.12
Shares used in calculating earnings per share		
- basic	30,801,472	30,420,037
- diluted	31,614,851	31,410,516

STATEMENT OF COMPREHENSIVE INCOME

(in thousands of euros)	Three months ended March 31, 2016	Three months ended March 31, 2015
Net income	5,130	3,711
Currency translation adjustments	(512)	440
Tax effect	-	-
Other comprehensive income to be reclassified in net income	(512)	440
Remeasurement of the net liability arising from defined benefits pension plans	-	48
Tax effect	-	(14)
Other comprehensive income not to be reclassified in net income	0	34
Total other comprehensive income	(512)	474
Comprehensive income	**4,618**	**4,185**

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of euros)	Three months ended March 31, 2016	Three months ended March 31, 2015
I - OPERATING ACTIVITIES		
Net income	5,130	3,711
Net depreciation, amortization and provisions	1,717	1,403
Non-cash operating expenses	34	(1,058)
Loss (profit) on sale of fixed assets	1	(5)
Changes in deferred income taxes	193	302
Changes in inventories	(1,634)	(2,696)
Changes in trade accounts receivable	8,075	6,025
Changes in other current assets and liabilities	(8,882)	(7,067)
Net cash provided by (used in) operating activities	4,634	615
II - INVESTING ACTIVITIES		
Purchases of intangible assets	(184)	(685)
Purchases of property, plant and equipment	(678)	(1,072)
Proceeds from sales of intangible assets and property, plant and equipment	6	7
Purchases of financial assets (1)	(728)	(878)
Proceeds from sales of financial assets (1)	744	786
Net cash provided by (used in) investing activities	(839)	(1,842)
III - FINANCING ACTIVITIES		
Proceeds from issuance of ordinary shares	507	1,117
Purchases of treasury shares	(674)	(783)
Sales of treasury shares	712	794
Repayments of long-term and short-term borrowings	-	(394)
Net cash provided by (used in) financing activities	545	734
Increase (decrease) in cash and cash equivalents	**4,340**	**(493)**
Cash and cash equivalents at opening	59,347	43,484
Increase (decrease) in cash and cash equivalents	4,340	(493)
Effect of changes in foreign exchange rates	(273)	521
Cash and cash equivalents at closing	63,414	43,512
Free cash flow	3,795	(1,227)
Income tax (paid) / reimbursed, net	(922)	(640)
Interest (paid)	-	-

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in thousands of euros, except for par value per share expressed in euros)	Share capital: Number of shares	Share capital: Par value per share	Share capital: Share capital	Share premium	Treasury shares	Currency translation adjustments	Retained earnings and net income	Equity
Balance at January 1, 2015	30,329,114	1.00	30,329	7,282	(133)	(8,503)	65,327	94,302
Net income							3,711	3,711
Other comprehensive income						440	34	474
Comprehensive income						440	3,745	4,185
Exercised stock options	254,326	1.00	254	863				1,117
Fair value of stock options							32	32
Sale (purchase) of treasury shares					(54)			(54)
Profit (loss) on treasury shares							43	43
Balance at March 31, 2015	30,583,440	1.00	30,583	8,145	(187)	(8,063)	69,147	99,625
Balance at January 1, 2015	30,329,114	1.00	30,329	7,282	(133)	(8,503)	65,327	94,302
Net income							23,377	23,377
Other comprehensive income						309	290	599
Comprehensive income						309	23,667	23,976
Exercised stock options	457,285	1.00	457	1,737				2,194
Fair value of stock options							167	167
Sale (purchase) of treasury shares					(70)			(70)
Profit (loss) on treasury shares							30	30
Dividends paid							(7,646)	(7,646)
Balance at December 31, 2015	30,786,399	1.00	30,786	9,018	(203)	(8,194)	81,547	112,954
Net income							5,130	5,130
Other comprehensive income						(512)	-	(512)
Comprehensive income						(512)	5,130	4,618
Exercised stock options	141,785	1.00	142	365				507
Fair value of stock options							22	22
Sale (purchase) of treasury shares					(5)			(5)
Profit (loss) on treasury shares							29	29
Balance at March 31, 2016	**30,928,184**	**1.00**	**30,928**	**9,384**	**(208)**	**(8,706)**	**86,727**	**118,125**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT MARCH 31, 2016

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 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 nearly 850 employees dedicated to marketing, sales and services in the world. It employs 260 engineers dedicated to R&D, and 150 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 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 March 31, 2016, 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 corresponding notes for the fiscal year 2015, 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 2015 annual financial statements. They have been prepared under the responsibility of the Board of Directors at its meeting of April 28, 2016. Financial statements at March 31, 2016 and 2015 have not been reviewed by the Statutory Auditors.

The standards and interpretations adopted by the European Union whose application is required for fiscal years starting from January 1, 2016 have no impact on the Group's financial statements. The Group has not early adopted any standards, amendments or interpretations whose application is not required for fiscal years starting from January 1, 2016.

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 2016 figures restated at 2015 exchange rates, in comparison with actual data for 2015.

Critical Accounting Estimates and Judgments

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

Cost of goods sold does not include salaries and expenses associated with service revenues, which are 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 March 31, 2016, the Group's scope of consolidation comprised the parent company, Lectra SA, together with 29 fully-consolidated companies.

There was no change in the scope of consolidation during the first quarter of 2016.

In October 2015, the company had created a new subsidiary, Lectra Tunisie CP, whose only business is the sale of consumables and parts in Tunisia. Since October 1, 2015, this subsidiary has taken over this business, which had been 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 was immaterial.

Four sales and service subsidiaries are not consolidated, their revenues being immaterial both separately and combined. At March 31, 2016, their combined revenues totaled €0.2 million, and their combined assets in their statement of financial position totaled €2.6 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 March 31, 2016.

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

	Three Months Ended March 31				
	2016		2015	Changes 2016/2015	
(in thousands of euros)	Actual	At 2015 exchange rates	Actual	Actual	Like-for-like
Revenues	62,214	62,826	56,120	+11%	+12%
Cost of goods sold	(16,285)	(16,232)	(13,371)	+22%	+21%
Gross profit	45,929	46,595	42,749	+7%	+9%
(in % of revenues)	73.8%	74.2%	76.2%	-2,4 points	-2.0 points
Research and development	(3,961)	(3,961)	(3,559)	+11%	+11%
Selling, general and administrative expenses	(34,629)	(34,859)	(33,580)	+3%	+4%
Income from operations	7,339	7,774	5,610	+31%	+39%
(in % of revenues)	11.8%	12.4%	10.0%	+1.8 points	+2.4 points
Income before tax	7,108	7,543	5,463	+30%	+38%
Income tax	(1,978)	na	(1,752)	+13%	na
Net income	5,130	na	3,711	+38%	na

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

Revenues by geographic region

(in thousands of euros)	2016 Actual	2016 %	2016 At 2015 exchange rates	2015 Actual	2015 %	Changes 2016/2015 Actual	Changes 2016/2015 Like-for-like
Europe, of which:	26,698	43%	26,838	24,002	43%	+11%	+12%
- France	4,541	7%	4,542	4,135	7%	+10%	+10%
Americas	18,002	29%	18,111	14,011	25%	+28%	+29%
Asia-Pacific	13,549	22%	13,749	14,098	25%	-4%	-2%
Other countries	3,965	6%	4,128	4,009	7%	-1%	+3%
Total	62,214	100%	62,826	56,120	100%	+11%	+12%

Three Months Ended March 31

Revenues by product line

(in thousands of euros)	2016 Actual	2016 %	2016 At 2015 exchange rates	2015 Actual	2015 %	Changes 2016/2015 Actual	Changes 2016/2015 Like-for-like
Software, of which:	17,574	28%	17,762	17,193	31%	+2%	+3%
- New licenses	5,916	10%	5,993	6,009	11%	-2%	0%
- Software evolution and online services contracts	11,658	18%	11,769	11,184	20%	+4%	+5%
CAD/CAM equipment	18,013	29%	18,192	13,446	24%	+34%	+35%
Hardware maintenance and online services contracts	8,467	14%	8,522	8,364	15%	+1%	+2%
Consumables and parts	14,904	24%	15,079	13,533	24%	+10%	+11%
Training and consulting services	2,713	4%	2,726	3,057	5%	-11%	-11%
Miscellaneous	543	1%	545	527	1%	+3%	+3%
Total	62,214	100%	62,826	56,120	100%	+11%	+12%

Three Months Ended March 31

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

(in thousands of euros)	2016 Actual	2016 %	2016 At 2015 exchange rates	2015 Actual	2015 %	Changes 2016/2015 Actual	Changes 2016/2015 Like-for-like
Revenues from new systems sales(1)	27,185	44%	27,455	23,038	41%	+18%	+19%
Recurring revenues(2), of which:	35,029	56%	35,371	33,082	59%	+6%	+7%
- Recurring contracts	20,125	32%	20,292	19,549	35%	+3%	+4%
- Consumables and parts	14,904	24%	15,079	13,533	24%	+10%	+11%
Total	62,214	100%	62,826	56,120	100%	+11%	+12%

Three Months Ended March 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 parts, which are statistically recurrent.*

Breakdown of revenues from new systems sales by market sector

(in thousands of euros)	2016 Actual	2016 %	2016 At 2015 exchange rates	2015 Actual	2015 %	Changes 2016/2015 Actual	Changes 2016/2015 Like-for-like
Fashion and apparel	12,022	44%	12,166	11,094	48%	+8%	+10%
Automotive	11,468	42%	11,527	8,406	36%	+36%	+37%
Furniture	2,322	9%	2,374	1,954	9%	+19%	+22%
Other industries	1,373	5%	1,388	1,584	7%	-13%	-12%
Total	27,185	100%	27,455	23,038	100%	+18%	+19%

Three Months Ended March 31

6. OPERATING SEGMENTS INFORMATION

Three months ended March 31, 2016 (in thousands of euros)	Europe	Americas	Asia-Pacific	Other countries	Corporate	Total
Revenues	26,698	18,002	13,549	3,965	-	62,214
Income (loss) from operations	4,244	2,710	378	573	(566)	7,339

Three months ended March 31, 2015(1) (in thousands of euros)	Europe	Americas	Asia-Pacific	Other countries	Corporate	Total
Revenues	22,701	15,696	13,720	4,003	-	56,120
Income (loss) from operations	3,099	1,868	406	764	(527)	5,610

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

The standard gross profit margins used to determine the performance of operating segments have been changed from January 1, 2016, to take into account the improvement in the overall profitability of the Group. This new allocation of gross profit between marketing regions and the Corporate segment allows for a more relevant analysis of performance by operating segment. The new margins will leave the income from operations for the Corporate segment close to zero over the full year, but seasonal variations of revenues and overhead costs may lead to a different result every quarter.

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

Three months ended March 31, 2016 (in thousands of euros)	Cash and cash equivalents	Financial debts	Net cash
Free cash flow	3,795	-	3,795
Proceeds from issuance of ordinary shares(1)	507	-	507
Sale and purchase of treasury shares(2)	38	-	38
Impact of currency variations – other	(273)	-	(273)
Change in cash position for the period	4,067	-	4,067
Cash position at December 31, 2015	59,347	-	59,347
Cash position at March 31, 2016	63,414	-	63,414
Change in cash position for the period	4,067	-	4,067

(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 March 31, 2016, was €3.8 million. This figure results from a combination of €4.6 million in cash flows provided by operating activities (including an increase in working capital requirement of €2.4 million) and capital expenditures of €0.8 million.

The main variations in working capital requirement were:

– –€8.1 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);

- +€1.6 million corresponding to the increase in inventories;
- +€1.2 million arising from the increase of the receivable on the French tax administration *(Trésor public)* corresponding to the research tax credit for the first quarter of 2016, accounted for but not received, after deduction from the corporate income tax due by Lectra SA for the same period;
- +€3.1 million arising from the difference between the variable portion of salaries for the Group in respect of fiscal 2015 paid mainly in 2016, and the one recognized during the first quarter of 2016 and payable in 2017;
- +€2.1 million corresponding to a decrease in trade accounts payable;
- +€1.4 million corresponding to the decrease of customer down payments in the statement of financial position;
- +€1.1 million arising from the change in other current assets and liabilities; taken individually, these changes are all immaterial.

The working capital requirement at March 31, 2016, was negative at €0.5 million. It comprised a receivable of €24.9 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 €25.4 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 2015 and Q1 2016 have been entirely deducted from the corporate income tax due by Lectra SA.

Thus, at March 31, 2016, Lectra SA held a €24.9 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 2016 (€1.2 millions), 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. It 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), 2019 (in respect of the 2015 tax credit) and 2020 (in respect of the 2016 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, 2016, the company has purchased 55,020 shares and sold 57,248 shares at an average price of €12.26 and €12.43 respectively under the Liquidity Agreement administered by Exane BNP Paribas.

At March 31, 2016, the company held 16,112 Lectra shares (i.e. 0.05% of the share capital) with an average purchase price of €12.91 entirely under the Liquidity Agreement.

10. CASH AND CASH EQUIVALENTS AND NET CASH

(in thousands of euros)	March 31, 2016	December 31, 2015
Cash and cash equivalents	63,414	59,347
Borrowings and financial debts	-	-
Net cash	63,414	59,347

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 €63.4 million.

11. FOREIGN EXCHANGE RISK

The Group's currency risk management policy is unchanged relative to December 31, 2015.

During Q1 2016, the average parity between the US dollar and the euro was $1.10/€1.

Exchange Risk Hedging Instruments

Exchange risk hedging instruments at March 31, 2016 comprised forward sales or purchases of foreign currencies (mainly US dollar) for a net total equivalent value (sales minus purchases) of €0.3 million, intended to hedge existing balance sheet positions. Thus, the company has hedged almost all its balance sheet positions.

At the publication date of this report, it has not hedged its net exposure to the US dollar on its operating flows.

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.

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 annual revenues by approximately €4.4 million and annual 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 $1.14/€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. These variations are frequently dissimilar both in direction (upward and downward) and in scale.