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

Dear Shareholders,

We report below on Lectra Group's business activity and consolidated financial statements for the first quarter 2015, ended on March 31.

1. SUMMARY OF OPERATIONS FOR Q1 2015

Very Positive Impact from Weaker Euro

The sharp fall in the euro since summer 2014, against the dollar and the yuan notably, has been a major event for Lectra and for its customers.

With an average parity of $1.13/€1 in Q1 2015, the US dollar was up 22% compared to Q1 2014 ($1.37/€1). For its part, the yuan appreciated 19%.

While Lectra has opted to maintain its R&D and manufacturing in France, and to invest in innovation to increase its competitiveness, most of its competitors—especially the main one, a US company—manufacture their equipment in China. Most of Lectra's production costs are thus euro-denominated, with practically zero inflation while its competitors' costs are denominated in yuan, subject to continuously rising wages and social charges, along with higher inflation.

Lectra's competitive position has been bolstered significantly worldwide as a result.

In addition, sale prices in North America and Asia are mainly expressed in dollars or yuan, with a very substantial mechanical impact on revenues and earnings. Dollar appreciation together with other currency movements mechanically increased revenues by €4.6 million (+9%) and income from operations by €2.5 million (+79%) at actual exchange rates compared with like-for-like figures.

Given these sharp currency variations and the significance of their resulting impact, detailed comparisons between 2015 and 2014 are based both on actual exchange rates and 2014 exchange rates ("like-for-like") unless stated otherwise.

It must be pointed out that, if these parities persist, the establishment of like-for-like comparisons will become decreasingly relevant given the complex effects produced by these sharp fluctuations.

Orders for New Systems Sales Lower than Expected by the Company

Orders for new systems sales totaled €21.3 million, up €2.3 million (+12%) at actual exchange rates but were stable like-for-like compared with Q1 2014. Orders for new software licenses (€5.7 million) increased 7% like-for-like, and those for CAD/CAM equipment (€12.4 million) by 3%. Orders for training and consulting (€2.7 million) decreased by 22%, in the absence of significant new projects signed during the quarter.

Revenues and Income from Operations Ahead of the Company's Roadmap at Actual Exchange Rates, but Down Slightly Like-for-Like

The roadmap corresponding to the company's annual objective communicated on February 11, 2015 anticipated Q1 revenues of €55.7 million and income from operations of €4.4 million (based on exchange rates at December 15, 2014, notably $1.25/€1).

Revenues totaled €56.1 million, up 18% at actual exchange rates and 8% like-for-like compared with Q1 2014.

Income from operations amounted to €5.6 million. It increased by €3.7 million (+192%) at actual exchange rates and 64% like-for-like.

At actual exchange rates, revenues were €0.4 million ahead of the roadmap, and income from operations was ahead by €1.2 million. At the exchange rates used to set 2015 objectives, Q1 revenues and income from operations were €53.4 million and €4.2 million respectively. While revenues lagged €2.3 million behind the roadmap, income from operations was very close.

Transformation Plan Progress Report

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

The 2015 increase in fixed overhead costs arising from investments for the future, which are fully expensed, is partly offset by the positive impact of its initial benefits, the full benefits being expected in 2016.

2. CONSOLIDATED FINANCIAL STATEMENTS FOR Q1 2015

The 2014 financial results serving as a basis for 2015 comparisons have been restated in light of published results, due to the obligation to apply interpretation IFRIC 21, as of January 1, 2015, which has resulted in a reduction of €0.4 million in income from operations for Q1 2014, the full-year impact being practically nil (see note 2 of the notes to this report).

Revenues

Revenues totaled €56.1 million, up 18% at actual exchange rates and 8% like-for-like compared with Q1 2014.

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

Revenues from New Systems Sales

Overall, revenues from new systems sales (€23 million) increased by 25% at actual exchange rates and by 13% like-for-like. They represented 41% of total revenues (39% in Q1 2014).

Like-for-like:

- Revenues from new software licenses (€6 million) increased by 15% and accounted for 11% of total revenues (10% in Q1 2014);
- CAD/CAM equipment revenues (€13.4 million) were up 10% and accounted for 24% of total revenues (23% in Q1 2014);
- Revenues from training and consulting increased by 26% to €3.1 million.

Revenues from Recurring Contracts and Consumables and Spare Parts

Recurring revenues (€33.1 million) increased by 13% at actual exchange rates and by 5% like-for-like. They accounted for 59% of total revenues (61% in Q1 2014).

Revenues from recurring contracts—which contributed to 59% of recurring revenues and 35% of total revenues—totaled €19.5 million, a 6% increase like-for-like, thus improving the growth dynamics recorded throughout the whole of fiscal 2014 (+4%):

- Revenues from software evolution and online services contracts (€11.2 million), up 4% compared with Q1 2014, represented 20% of total revenues;
- Revenues from CAD/CAM equipment maintenance and online services contracts (€8.4 million), which increased by 8%, contributed to 15% of total revenues.

Revenues from consumables and spare parts (€13.5 million), meanwhile, increased by 4% like-for-like.

Order Backlog

At March 31, 2015, the order backlog of new systems sales (€19 million) was down €0.6 million at actual exchange rates relative to December 31, 2014.

It comprised orders for new software licenses and CAD/CAM equipment totaling €13.2 million, of which €12.4 million for shipment in Q2 2015 and €0.8 million hereafter; and €5.8 million of orders for training and consulting, which will be delivered as projects are carried out.

Gross Profit

Gross profit amounted to €42.7 million. At actual exchange rates, its €7.9 million increase relative to Q1 2014 represents 93% of the growth in revenues.

The overall gross profit margin was 76.2%. At actual exchange rates, it increased by 3 percentage points relative to Q1 2014, given the combined effects of exchange rate variations and changes in the sales mix, software and of training and consulting having again increased their share of total revenues. Like-for-like, the overall gross profit margin increased by 1.5 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 recognized in selling, general, and administrative expenses.

Overhead Costs

Total overhead costs were €37.1 million, up 7% like-for-like compared with 2014.

The breakdown is as follows:

- €33.6 million in fixed overhead costs (+8%). Investments for the future in connection with the transformation plan represented €4 million, or 12% of the total amount;
- €3.5 million in variable costs (+2%).

The increase in total overhead costs is 13% at actual exchange rates.

R&D costs are fully expensed in the period and included in fixed overhead costs. R&D costs amounted to €5.4 million and represented 9.6% of revenues (€5.5 million and 11.6% in Q1 2014). After deducting the research tax credit and the portion of the competitiveness and employment tax credit applicable in France accounted for in the quarter, net R&D costs amounted to €3.6 million (€2.9 million in 2014).

Income from Operations and Net Income

Income from operations reached €5.6 million. It increased €3.7 million (+192%) at actual exchange rates and €1.2 million (+64%) like-for-like compared with Q1 2014.

The operating margin was 10%, up 6 percentage points at actual exchange rates and 2.1 percentage points like-for-like.

Financial income and expenses represented a net charge close to zero. Foreign exchange gains and losses generated a net loss of €0.1 million.

After an income tax expense of €1.8 million, net income reached €3.7 million (€1.6 million in Q1 2014) and increased 134% at actual exchange rates.

Net earnings per share on basic capital and on diluted capital were €0.12 (€0.05 on basic capital and diluted capital in Q1 2014).

Free Cash Flow

Free cash flow was a negative €1.2 million (see note 7 of the notes to this report), compared with a positive figure of €2.8 million for Q1 2014 .

The research tax credit (€1.8 million) and the competitiveness and employment tax credit (€0.2 million) for Q1 2015, applicable in France, were accounted for but not received. If they had been received, free cash flow would have been a positive €0.8 million.

Shareholders’ Equity

At March 31, 2015, consolidated shareholders’ equity amounted to €99.6 million (€94.3 million at December 31, 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, residual financial borrowings at December 31, 2014 (€0.4 million) having been reimbursed. Cash and cash equivalents as well as net cash position amounted to €43.5 million. The net cash position was positive at €43.1 million at December 31, 2014.

Subject to approval by the shareholders at the Annual Meeting of April 30, 2015, shareholders’ equity, cash and cash equivalents and net cash will be reduced by the payment of the dividend declared in respect of FY 2014 (€7.6 million).

The working capital requirement amounted to €1.7 million. This includes the receivable of €24.7 million on the French tax administration *(Trésor public)* corresponding to the research tax credit recognized since fiscal year 2011, and the competitiveness and employment tax credit since 2013, neither of which has yet been received or offset against income tax. Restated for this receivable, the working capital requirement was negative at €23 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. The company is awaiting reimbursement in the course of the current year of €4.8 million corresponding to the research tax credit for fiscal 2011.

3. SHARE CAPITAL – OWNERSHIP – SHARE PRICE PERFORMANCE

Change in Share Capital

At March 31, 2015, the share capital totaled €30,583,440, divided into 30,583,440 shares with a par value of €1.00.

Share capital has increased by €254,326 in share capital (with a total share premium of €862,963) due to the creation of 254,326 shares since January 1, 2015, resulting from the exercise of stock options.

On February 10, 2015, Schroder Investment Management Ltd (UK), acting on behalf of its funds and clients under management, reported that on February 5 it had decreased its shareholding below the threshold of 10% of the company's voting rights, then on February 13, that it had also decreased its shareholding below the threshold of 10% of the company's capital stock, and that at that date it held 9.53% of the capital stock and 9.42% of the voting rights.

On February 10, Delta Lloyd Asset Management NV (Netherlands), acting on behalf of its funds and clients under management, also reported that it had decreased its shareholding below the threshold of 10% of the company's capital stock and voting rights, and that, on February 9, it held 9.77% of the capital stock and 9.65% of the voting rights.

No other crossing of statutory thresholds has been notified to the company since January 1, 2015.

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

- André Harari and Daniel Harari, who together hold 36.3% of the capital and 35.9% of the voting rights;
- Delta Lloyd Asset Management NV and Schroder Investment Management Ltd, which each hold more than 5% (but less than 10%) of the capital and the voting rights, on behalf of investment funds and clients under management.

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

Treasury Shares

At March 31, 2015, 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, 2015, was €13.10, up 43% compared with December 31, 2014 (€9.14). It reached a low of €8.98 on January 6 and a high of €13.82 on March 20.

The CAC 40 index and the CAC Mid & Small index rose each 18% over the first three months of this year.

According to Euronext statistics, the number of shares traded on Euronext (3.4 million) was up 57%, and trading volumes (€39.2 million) up 127% compared with Q1 2014. These figures do not include trading on any other trading platform.

4. SIGNIFICANT POST-CLOSING EVENTS

No significant event has occurred since March 31, 2015.

5. FINANCIAL CALENDAR

The 2014 annual report was published on Lectra's website on March 31. Two interactive versions, illustrated with video testimonials, white papers and other multimedia content are 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 30, 2015.

Subject to approval by the shareholders, the dividend will be paid on May 7, 2015.

The first-half 2015 financial results will be published on July 30, after close of trading on Euronext.

6. BUSINESS TRENDS AND OUTLOOK

The company entered 2015 with even more solid operating fundamentals than in 2014 and an even stronger balance sheet.

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

It indicated that its objective is to reach in 2015 total revenues of approximately €240 million (+14% relative to 2014; +11% like-for-like), with income from operations before non-recurring items of around €29 million (+47%; +30% like-for-like), an operating margin before non-recurring items of 12% (a 1.6 percentage points increase like-for-like), and net income of around €20 million (+39%). The company has based its 2015 scenarios on exchange rates at December 15, 2014, notably $1.25/€1.

Over the coming quarters the company plans to make good the delay relative to its roadmap and achieve the financial objectives set for 2015, despite weaker than expected orders for new systems in Q1.

Bolstered by the strength of its business model and the relevance of its strategic roadmap, the company remains confident in its growth prospects for the medium term.

The Board of Directors

April 29, 2015

Company Certification of the First Quarter 2015

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 29, 2015

Daniel Harari	Jérôme Viala
Chief Executive Officer	Chief Financial Officer

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

(in thousands of euros)	March 31, 2015	December 31, 2014 (1)	March 31, 2014 (1)
Goodwill	32,949	31,724	30,002
Other intangible assets	4,770	4,406	4,564
Property, plant and equipment	17,780	16,447	13,148
Non-current financial assets	2,312	2,048	1,702
Deferred tax assets	8,292	8,005	7,994
Total non-current assets	66,103	62,630	57,410
Inventories	23,840	21,848	21,619
Trade accounts receivable	46,343	50,531	42,106
Other current assets	36,375	32,149	33,448
Cash and cash equivalents	43,512	43,484	32,400
Total current assets	150,070	148,012	129,573
Total assets	**216,173**	**210,642**	**186,983**

EQUITY AND LIABILITIES

(in thousands of euros)	March 31, 2015	December 31, 2014 (1)	March 31, 2014 (1)
Share capital	30,583	30,329	29,777
Share premium	8,145	7,282	5,568
Treasury shares	(187)	(133)	(135)
Currency translation adjustments	(8,063)	(8,503)	(8,614)
Retained earnings and net income	69,147	65,327	59,666
Total equity	99,625	94,302	86,262
Retirement benefit obligations	8,559	8,479	7,457
Borrowings, non-current portion	-	-	-
Total non-current liabilities	8,559	8,479	7,457
Trade and other current payables	50,986	53,216	44,813
Deferred revenues	50,371	48,096	41,768
Current income tax liabilities	3,531	2,857	2,609
Borrowings, current portion	-	394	394
Provisions for other liabilities and charges	3,101	3,298	3,680
Total current liabilities	107,989	107,861	93,264
Total equity and liabilities	**216,173**	**210,642**	**186,983**

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

CONSOLIDATED INCOME STATEMENT

(in thousands of euros)	Three months ended March 31, 2015	Three months ended March 31, 2014 (1)
Revenues	56,120	47,651
Cost of goods sold	(13,371)	(12,756)
Gross profit	42,749	34,895
Research and development	(3,559)	(2,939)
Selling, general and administrative expenses	(33,580)	(30,038)
Income (loss) from operations	5,610	1,918
Financial income	88	88
Financial expenses	(110)	(106)
Foreign exchange income (loss)	(125)	(231)
Income (loss) before tax	5,463	1,669
Income tax	(1,752)	(84)
Net income (loss)	**3,711**	**1,585**

(in euros)		
Earnings per share:		
- basic	0.12	0.05
- diluted	0.12	0.05
Shares used in calculating earnings per share		
- basic	30,420,037	29,700,700
- diluted	31,410,516	30,603,334

STATEMENT OF COMPREHENSIVE INCOME

(in thousands of euros)	Three months ended March 31, 2015	Three months ended March 31, 2014 (1)
Net income (loss)	3,711	1,585
Currency translation adjustments	440	107
Tax effect	-	-
Other comprehensive income (loss) to be reclassified in net income (loss)	440	107
Remeasurement of the net liability arising from defined benefits pension plans	48	-
Tax effect	(14)	-
Other comprehensive income (loss) not to be reclassified in net income (loss)	34	0
Total other comprehensive income	474	107
Comprehensive income (loss)	**4,185**	**1,692**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of euros)	Three months ended March 31, 2015	Three months ended March 31, 2014 (1)
I - OPERATING ACTIVITIES		
Net income (loss)	3,711	1,585
Net depreciation, amortization and provisions	1,403	551
Non-cash operating expenses	(1,058)	315
Loss (profit) on sale of fixed assets	(5)	43
Changes in deferred income taxes, net value	302	(911)
Changes in inventories	(2,696)	(793)
Changes in trade accounts receivable	6,025	6,573
Changes in other current assets and liabilities	(7,067)	(3,626)
Net cash provided by (used in) operating activities	615	3,737
II - INVESTING ACTIVITIES		
Purchases of intangible assets	(685)	(652)
Purchases of property, plant and equipment	(1,072)	(475)
Proceeds from sales of intangible assets and property, plant and equipment	7	1
Purchases of financial assets (2)	(878)	(632)
Proceeds from sales of financial assets (2)	786	792
Net cash provided by (used in) investing activities	(1,842)	(966)
III - FINANCING ACTIVITIES		
Proceeds from issuance of ordinary shares	1,117	637
Purchases of treasury shares	(783)	(670)
Sales of treasury shares	794	619
Repayments of long-term and short-term borrowings	(394)	(500)
Net cash provided by (used in) financing activities	734	86
Increase (decrease) in cash and cash equivalents	**(493)**	**2,857**
Cash and cash equivalents at opening	43,484	29,534
Increase (decrease) in cash and cash equivalents	(493)	2,857
Effect of changes in foreign exchange rates	521	9
Cash and cash equivalents at closing	43,512	32,400
Free cash flow before non-recurring items	(1,227)	2,771
Non-recurring items of the free cash flow	-	-
Free cash flow	(1,227)	2,771
Income tax paid (reimbursed), net	640	283
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 March 31, 2014 (see note 2 "Summary of accounting rules and methods").

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in thousands of euros, except for par value per share expressed in euros)	Share capital: Number of shares	Share capital: Par value per share	Share capital: Share capital	Share premium	Treasury shares	Currency translation adjustments	Retained earnings and net income	Equity
Balance at January 1, 2014[(1)]	29,664,415	1.00	29,664	5,043	(83)	(8,721)	58,063	83,966
Net income (loss)							1,585	1,585
Other comprehensive income (loss)						107	-	107
Comprehensive income (loss)						107	1,585	1,692
Exercised stock options	112,687	1.00	113	525				638
Fair value of stock options							17	17
Sale (purchase) of treasury shares					(52)			(52)
Profit (loss) on treasury shares							1	1
Balance at March 31, 2014[(1)]	29,777,102	1.00	29,777	5,568	(135)	(8,614)	59,666	86,262
Balance at January 1, 2014[(1)]	29,664,415	1.00	29,664	5,043	(83)	(8,721)	58,063	83,966
Net income (loss)							14,370	14,370
Other comprehensive income (loss)						218	(649)	(431)
Comprehensive income (loss)						218	13,721	13,939
Exercised stock options	664,699	1.00	665	2,239				2,904
Fair value of stock options							136	136
Sale (purchase) of treasury shares					(50)			(50)
Profit (loss) on treasury shares							32	32
Other variations							(71)	(71)
Dividends paid							(6,554)	(6,554)
Balance at December 31, 2014[(1)]	30,329,114	1.00	30,329	7,282	(133)	(8,503)	65,327	94,302
Net income (loss)							3,711	3,711
Other comprehensive income (loss)						440	34	474
Comprehensive income (loss)						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**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT MARCH 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 nearly 1,500 employees worldwide, encompassing expert R&D, technical and sales teams with deep knowledge of their customers' businesses.

The Group has been present worldwide since the mid-1980s. Based in France, the company serves its customers in more than 100 countries through its extensive network of 32 sales and services subsidiaries, which are backed by agents and distributors in some regions. Thanks to this unrivaled network, Lectra generated 91% of its revenues directly in 2014. Its five International Call Centers, in Bordeaux–Cestas (France), Madrid (Spain), Milan (Italy), Atlanta (U.S.A.) and Shanghai (China) cover Europe, North America and Asia. All of the company's technologies are showcased at its International Advanced Technology & Conference Center in Bordeaux–Cestas (France) for Europe and international visitors, and its two International Advanced Technology Centers in Atlanta (U.S.A.) for North and South America, and Shanghai (China) for Asia and the Pacific. Lectra is geographically close to its customers wherever they are, with more than 800 employees dedicated to marketing, sales and services in the world. It employs more than 260 engineers dedicated to R&D, and nearly 160 employees in industrial purchasing, assembly and testing of CAD/CAM equipment, and logistics.

Business Model

Lectra's business model is based on three pillars:

– a balance of risks, which benefit from natural hedging by the distribution of business activity over market sectors and geographical markets with cycles that are different from each other, and by the very large number of customers throughout the world;

– a balanced revenue mix between revenues from new systems sales, the company's growth driver, and revenues from recurring contracts and consumables and spare parts, a key factor in the company's stability, that provide a cushion in periods of difficult economic conditions;

– the generation of annual free cash flow exceeding net income, assuming utilization or receipt of the annual research tax credit and the competitiveness and employment tax credit applicable in France.

2. SUMMARY OF ACCOUNTING RULES AND METHODS

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

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

The condensed consolidated financial statements at March 31, 2015, have been prepared in accordance with IAS 34 - Interim Financial Statements. They do not comprise all of the financial disclosures required in the complete financial statements and should be read in conjunction with the Group's consolidated financial statements and attached notes for the fiscal year 2014, available on lectra.com.

The consolidated financial statements have been prepared in accordance with the same rules and methods as those applied in the preparation of the 2014 financial statements, with the exception of the interpretation presented below. They have been prepared under the responsibility of the Board of Directors at its meeting of April 29, 2015. Financial statements at March 31, 2014 and 2015 have not been reviewed by Statutory Auditors.

The Group has applied the IFRIC 21 – Levies interpretation, mandatory for fiscal years starting from January 1, 2015. The retrospective application of this interpretation has led the Group 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"; they are presented below:

CONSOLIDATED INCOME STATEMENT

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

Moreover, the restated consolidated shareholders' equity has been increased by €208,000 (€137,000 after tax effect) at January 1, 2014 and by €233,000 (€154,000 after tax effect) at December 31, 2014. At March 31, 2014, it has been reduced by €175,000 (€116,000 after tax effect).

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

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 year in which they are incurred.

The French research tax credit *(crédit d’impôt recherche)* and the portion of the competitiveness and employment tax credit *(crédit d’impôt compétitivité et emploi)* relating to R&D personnel, as well as grants linked to R&D projects, if any, are deducted from R&D expenses.

Earnings per Share

Basic net earnings per share are calculated by dividing net income by the weighted-average number of shares outstanding during the period, excluding the weighted-average number of treasury shares.

Diluted net earnings per share are calculated by dividing net income by the weighted-average number of shares adjusted for the dilutive effect of stock options outstanding during the period and excluding the weighted-average number of treasury shares held solely under the Liquidity Agreement.

The dilutive effect of stock options is computed in accordance with the share repurchase method provided by IAS 33. The assumed proceeds from exercise of stock options are regarded as having been used to repurchase shares at the average market price during the period. The number of shares thus obtained is deducted from the total number of shares resulting from the exercise of stock options.

Only options with an exercise price below the said average share price are included in the calculation of the number of shares representing the diluted capital.

Free Cash Flow

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

Operating Segments

Operating segment reporting is based directly on the Group's performance tracking and review systems. The operating segments presented in note 6 are identical to those covered by the information regularly communicated to the Executive Committee, in its capacity as the Group's "chief operating decision maker".

Operating segments refer to the major marketing regions that combine countries with similar economic characteristics in terms of type of product and service, customer type and distribution method. The regions concerned are: the Americas, Europe, Asia-Pacific, and the Rest of the World, where the company operates chiefly in Northern Africa, South Africa, Turkey, Israel, and the Middle East. These regions are involved in sales and the provision of services to their customers. They do not perform any industrial activities or R&D. They draw on centralized competencies and a wide array of functions that are pooled among all of the regions, including marketing, communication, logistics, procurement, production, R&D, finance, legal affairs, human resources, and information systems. All of these cross-divisional activities are reported as an additional operating segment referred to here as the "Corporate" segment.

Performance is measured by the segment's income from operations before non-recurring items and impairment of assets, if any. Marketing regions derive their revenues from external customers; all inter-segment billings are excluded from this item. The gross profit margin rates used to determine operating performance are identical for all regions. They are computed for each product line and include added value supplied by the Corporate segment. Consequently, for products or services supplied in full or in part by the Corporate segment, a percentage of consolidated gross profit is retained in the income computed for the Corporate segment in order to cover its costs. Since most of the Corporate segment's general overheads are fixed, its profit margin and consequently its income from operations depend mainly on the volume of business generated by marketing regions.

3. SCOPE OF CONSOLIDATION

At March 31, 2015, the Group's scope of consolidation comprised the parent company, Lectra SA, together with 28 fully-consolidated companies.

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

In April 2014, the company had established a new subsidiary in South Korea, Lectra Korea, which 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 is 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 March 31, 2015, their combined revenues totaled €0.3 million, and their combined assets in their statement of financial position totaled €2.3 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, 2015.

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

	Three Months Ended March 31				
	2015		2014 (1)	Changes 2015/2014	
(in thousands of euros)	Actual	At 2014 exchange rates	Actual	Actual	Like-for-like
Revenues	56,120	51,568	47,651	+18%	+8%
Cost of goods sold	(13,371)	(13,028)	(12,756)	+5%	+2%
Gross profit	42,749	38,540	34,895	+23%	+10%
(in % of revenues)	76.2%	74.7%	73.2%	+3 points	+1.5 points
Research and development	(3,559)	(3,559)	(2,939)	+21%	+21%
Selling, general and administrative expenses	(33,580)	(31,839)	(30,038)	+12%	+6%
Income from operations	5,610	3,142	1,918	+192%	+64%
(in % of revenues)	10.0%	6.1%	4.0%	+6 points	+2.1 points
Income before tax	5,463	2,995	1,669	+227%	+79%
Income tax	(1,752)	na	(84)	ns	na
Net income	3,711	na	1,585	+134%	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 March 31, 2014 (see note 2 "Summary of accounting rules and methods").

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

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:	24,002	43%	23,964	22,795	48%	+5%	+5%
- France	4,135	7%	4,144	3,701	8%	+12%	+12%
Americas	14,011	25%	11,692	11,945	25%	+17%	-2%
Asia-Pacific	14,098	25%	12,115	9,979	21%	+41%	+21%
Other countries	4,009	7%	3,797	2,932	6%	+37%	+29%
Total	56,120	100%	51,568	47,651	100%	+18%	+8%

Three Months Ended March 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:	17,193	31%	16,018	14,876	31%	+16%	+8%
- New licenses	6,009	11%	5,472	4,779	10%	+26%	+15%
- Software evolution and on-line services contracts	11,184	20%	10,546	10,097	21%	+11%	+4%
CAD/CAM equipment	13,446	24%	12,045	10,917	23%	+23%	+10%
Hardware maintenance and on-line services contracts	8,364	15%	7,680	7,139	15%	+17%	+8%
Consumables and spare parts	13,533	24%	12,469	12,000	25%	+13%	+4%
Training and consulting services	3,057	5%	2,852	2,266	5%	+35%	+26%
Miscellaneous	527	1%	504	452	1%	+17%	+11%
Total	56,120	100%	51,568	47,651	100%	+18%	+8%

Three Months Ended March 31

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

(in thousands of euros)	2015 Actual	2015 %	2015 At 2014 exchange rates	2014 Actual	2014 %	Changes 2015/2014 Actual	Changes 2015/2014 Like-for-like
Revenues from new systems sales (1)	23,038	41%	20,873	18,414	39%	+25%	+13%
Recurring revenues (2), of which:	33,082	59%	30,695	29,237	61%	+13%	+5%
- Recurring contracts	19,549	35%	18,226	17,237	36%	+13%	+6%
- Consumables and spare parts	13,533	24%	12,469	12,000	25%	+13%	+4%
Total	56,120	100%	51,568	47,651	100%	+18%	+8%

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 oncall 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	11,094	48%	10,023	9,531	52%	+16%	+5%
Automotive	8,406	36%	7,597	5,715	31%	+47%	+33%
Furniture	1,954	9%	1,800	1,542	8%	+27%	+17%
Other industries	1,584	7%	1,453	1,626	9%	-3%	-11%
Total	23,038	100%	20,873	18,414	100%	+25%	+13%

Three Months Ended March 31

6. OPERATING SEGMENTS INFORMATION

Three months ended March 31, 2015 (in thousands of euros)	Europe	Americas	Asia-Pacific	Other countries	Corporate	Total
Revenues	24,002	14,011	14,098	4,009	-	56,120
Income (loss) from operations	2,530	588	(254)	572	2,174	5,610

Three months ended March 31, 2014 (in thousands of euros)	Europe	Americas	Asia-Pacific	Other countries	Corporate	Total
Revenues	22,795	11,945	9,979	2,932	-	47,651
Income (loss) from operations[1]	1,210	(134)	245	287	310	1,918

(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 March 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

Three months ended March 31, 2015 (in thousands of euros)	Cash and cash equivalents	Financial debts	Net cash (+) Net debt (–)
Free cash flow	(1,227)	-	(1,227)
Proceeds from issuance of ordinary shares[1]	1,117	-	1,117
Sale and purchase of treasury shares[2]	11	-	11
Change in borrowings	(394)	394	-
Impact of currency variations – other	521	-	521
Change in cash position for the period	28	394	422
Cash position at December 31, 2014	43,484	(394)	43,090
Cash position at March 31, 2015	43,512	-	43,512
Change in cash position for the period	28	394	422

(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, 2015, was negative by €1.2 million. This figure results from a combination of €0.6 million in cash flows provided by operating activities (including a temporary increase in working capital requirement of €3.7 million) and capital expenditures of €1.8 million.

The greater amount of capital expenditures was related to the rehabilitation and extension program of the Bordeaux-Cestas facilities, started in 2014 and due to last to end of 2016, for a total budget of €8 million to €10 million. The increase in working capital requirement resulted notably from significant pay-outs in the first quarter, some of which are non-recurring (in particular, the payment of the variable portion of salaries in respect of fiscal 2014). Its main variations were:

- −€6 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 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);
- +€2.7 million corresponding to the increase in inventories;

- +€1.7 million arising from the increase of the receivable on the French tax administration (*Trésor public*) corresponding to the research tax credit and the competitiveness and employment tax credit for the first quarter of 2015, accounted for but not received, after deduction from the corporate income tax due by Lectra SA for the same period;
- +€4.1 million arising from the difference between the variable portion of salaries for the Group in respect of fiscal 2014 paid mainly in 2015, and the one recognized during the first quarter of 2015 and payable in 2016;
- +€2 million corresponding to the decrease of customers down payments in the statement of financial position, due to orders for new systems in Q1 2015 being lower than those in Q4 2014;
- −€0.8 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, 2015, amounted to €1.7 million. It comprised a receivable of €24.7 million on the French tax administration in respect of the research tax credit and the competitiveness and employment tax credit, which have not been received and have not been deducted from the current income tax expense (see note 8 hereafter). Restated for this receivable, the working capital requirement was negative at €23 million, which is a key feature of the Group's business model.

8. RESEARCH TAX CREDIT – COMPETITIVENESS AND EMPLOYMENT TAX CREDIT

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

At March 31, 2015, Lectra SA held a €24.7 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 (€1.7 million), 2014 (€6.9 million), 2013 (€6.1 million), 2012 (€5.1 million) and 2011 (€4.8 million);
- the competitiveness and employment tax credit accounted for and not used in 2013 (€0.2 million), as the credits relating to Q1 2015 and to fiscal 2014 have been entirely deducted from the corporate income tax due by Lectra SA in the same periods.

In light of its estimates of tax credits and corporate income tax for the next three fiscal years, the company does not expect to make any payment in respect of corporate income tax, which will be deducted in full from the research tax credit and the competitiveness and employment tax credit, if any, of each fiscal year. It therefore expects to receive the reimbursement of the balance outstanding of these non-deducted tax credits as follows: in 2015 (in respect of the 2011 tax credit), 2016 (in respect of the 2012 tax credit), 2017 (in respect of the 2013 tax credits), 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 to pay corporate income tax until the corresponding receivable is deducted in full. Thereafter it would deduct these tax credits each year from the income tax expense for the same year in full and would be required to pay the residual amount.

9. TREASURY SHARES

Since January 1, 2015, the company has purchased 69,595 shares and sold 70,215 shares at an average price of €11.25 and €11.30 respectively under the Liquidity Agreement administered by Exane BNP Paribas.

At March 31, 2015, the company held 14,312 Lectra shares (i.e. 0.05% of the share capital) with an average purchase price of €13.08 entirely under the Liquidity Agreement.

10. CASH AND CASH EQUIVALENTS AND NET CASH

(in thousands of euros)	March 31, 2015	December 31, 2014
Cash and cash equivalents	43,512	43,484
Borrowings and financial debts	-	(394)
Net cash	43,512	43,090

After the repayment of €0.4 million on March 31, 2015, of the remaining of public grants to finance R&D programs, 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 €43.5 million.

11. FOREIGN EXCHANGE RISK

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

During Q1 2015, the average parity between the US dollar and the euro was $1.13/€1.

Exchange Risk Hedging Instruments

Exchange risk hedging instruments at March 31, 2015 comprised forward sales or purchases of foreign currencies (mainly US dollar, British pound and Hong Kong dollar) for a net total equivalent value (sales minus purchases) of €4.1 million, intended to hedge existing positions.

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

At the date of publication of this report, it has not hedged its exposure to the US dollar beyond March 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 2015 scenarios on parities fixed on December 15, 2014 for the currencies in which the Group generates its revenues, notably $1.25/€1.

In view of the estimated share of revenues and costs denominated in US dollars or in currencies correlated with the dollar, a 5-cent fall in the euro against the dollar over the entire year (at an exchange rate of $1.20/€1) would mechanically increase FY 2015 revenues by approximately €3.6 million and income from operations by €2 million. Conversely, a 5-cent appreciation of the euro against the dollar (i.e. $1.30/€1) would mechanically reduce revenues and income from operations by the same amounts.

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

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

Consequently, the theoretical hypothesis of a 1% fall of the euro against all of the other currencies in which the company conducts its business would mechanically increase revenues by an additional €0.2 million and income from operations by an additional €0.1 million. Conversely, a 1% appreciation in the euro would reduce revenues and income from operations by the same amount.

Given the sharp variations of currencies, the importance of the resulting impacts, and the complex effects they produce, it must be pointed out that—as mentioned in the management discussion for like-for-like comparisons—should the current parities persist, the establishment of sensitivity hypotheses would become decreasingly relevant.