

Finally, free cash flow amounted to €9.1 million after receipt of the balance of €5.1 million of the 2012 French research tax credit. Free cash flow was €10.8 million in Q3 2015, including receipt of the balance of €4.8 million of the 2011 French research tax credit.

2. SUMMARY OF OPERATIONS FOR FIRST NINE MONTHS 2016 AND CONSOLIDATED FINANCIAL STATEMENTS

With an average parity of \$1.12/€1, the US dollar remained stable compared with the first nine months of 2015. For its part, the yuan declined 5%.

Despite the stability of the euro/dollar exchange rate, currency movements mechanically decreased revenues by €1.7 million (-1%) and income from operations by €0.7 million (-3%) at actual exchange rates compared with like-for-like figures.

Revenues and Income from Operations in Line with the Company Roadmap

Revenues totaled €190.7 million, up 10%, and income from operations €26.6 million, up 19%.

This performance is in line with the September 30 target figures corresponding to the expectations of revenues and income from operations for 2016 announced on July 28, 2016.

Orders for New Systems

Overall, orders for new systems amounted to €80.4 million, up €10.1 million (+15%) relative to the first nine months of 2015: +8% for new software licenses, +21% for CAD/CAM equipment and -2% for training and consulting.

Geographically, the situation is highly contrasted: orders in Asia-Pacific increased by 55% and by 10% in Europe. They decreased by 17% in the Americas. In the first nine months of 2015, orders in the Americas had increased by 16%, while those in Asia-Pacific had fallen by 21%. In the rest of the world (Northern Africa, South Africa, Turkey, the Middle East, etc.) they increased by 2% in the first nine months of 2016.

Orders in the fashion and apparel market rose 1% and up 47% in the automotive market. They decreased by 5% in

Revenues from Recurring Contracts and Consumables and Parts

Recurring revenues (€108.2 million) increased by 7%. They accounted for 57% of total revenues (58% in 2015).

Revenues from recurring contracts—which contributed 57% of recurring revenues and 32% of total revenues—totaled €61.4 million, a 4% increase:

Revenues from software evolution and online services contracts (€35.2 million), up 4% compared with 2015, represented 18% of total revenues;

Revenues from CAD/CAM equipment maintenance and online services contracts

Financial income and expenses represented a net charge of €0.3 million. Foreign exchange gains and losses generated a net loss of €0.3 million.

After an income tax expense of €7.3 million, net income amounted to €18.7 million,

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

André Harari and Daniel Harari together hold 35.7% of the capital and 35.3% of the voting rights;

Delta Lloyd Asset Management NV (the Netherlands), on behalf of investment funds and clients managed by it, and Allianz SE (Germany), through French companies controlled by it, each hold more than 5% (but less than 10%) of the capit

Consequently, and taking into account the company's first-half financial results and business activity, Lectra stated on July 28 that henceforward it expected revenue growth of between 8% and 11% for FY 2016 and 9% to 19% growth in income from operations, like-for-like.

Financial results for Q3 and for the first nine months of the year are in line with these expectations.

The company will unveil its new roadmap for 2017-2019, upon publication of its fourth-quarter and full-year 2016 results, on February 9, 2017.

The Board of Directors

October 27, 2016

Company Certification of the Report for the Third Quarter and First Nine Months of 2016

We certify that, to our knowledge, the financial statements for the third quarter and the first nine months of 2016 have been prepared in accordance with currently applicable accounting standards and provide a fair view of the assets, financial condition, and results of the company and of its consolidated companies. We further certify that the report on operations for the third quarter and first nine months presents a true and sincere view of the significant events that occurred during the first nine months of the fiscal year and their impact on the financial statements, as well as a description of the main risks and uncertainties.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

(in thousands of euros)

	September 30, 2016	December 31, 2015	September 30, 2015
Goodwill	32,885	32,769	32,479
Other intangible assets	4,376	4,890	4,907

CONSOLIDATED INCOME STATEMENT

(in thousands of euros)	Three months ended September 30, 2016	Nine months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2015
Revenues	64,398	190,743	59,269	175,697
Cost of goods sold	(16,603)	(49,969)	(14,645)	(42,840)
Gross profit	47,795	140,774	44,624	132,857
Research and development	(3,361)	(11,518)	(3,015)	(10,162)
Selling, general and administrative expenses	(33,252)	(102,649)	(31,821)	(99,733)
Income from operations	11,182	26,607	9,788	22,962
Financial income	28	101	35	163
Financial expenses	(96)	(354)	(121)	(351)
Foreign exchange income (loss)	(196)	(338)	(247)	(658)
Income before tax	10,918	26,016	9,456	22,116
Income tax	(2,842)	(7,285)	(2,478)	(6,146)
Net income	8,076	18,731	6,978	15,970

(in euros)

Earnings per share:				
- basic	0.26	0.61	0.23	0.52
- diluted	0.25	0.59	0.22	0.51
Shares used in calculating earnings per share				
- basic	31,004,440	30,910,610	30,720,879	30,583,524
- diluted	31,881,515	31,720,512	31,528,599	31,497,737

STATEMENT OF COMPREHENSIVE INCOME

(in thousands of euros)	Three months ended September 30, 2016	Nine months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2015
Net income	8,076	18,731	6,978	15,970
Currency translation adjustments	123	(697)	51	419
Tax effect	-	-	85	85
Other comprehensive income to be reclassified in net income	123	(697)	136	504
Remeasurement of the net liability arising from defined benefits pension plans	(537)	(1,118)	-	169
Tax effect	182	372	-	(43)
Other comprehensive income not to be reclassified in net income	(355)	(746)	0	126
Total other comprehensive income	(232)	(1,443)	136	630
Comprehensive income	7,844	17,288	7,114	16,600

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of euros)	Nine months ended September 30, 2016	Nine months ended September 30, 2015
I - OPERATING ACTIVITIES		
Net income	18,731	15,970
Net depreciation, amortization and provisions	5,175	5,740
Non-cash operating expenses	(698)	(268)
Loss (profit) on sale of fixed assets	34	38
Changes in deferred income taxes	(148)	427
Changes in inventories	(4,046)	(2,620)
Changes in trade accounts receivable	2,637	2,301
Changes in other current assets and liabilities	(1,052)	(1,970)
Net cash provided by (used in) operating activities	20,633	19,618
II - INVESTING ACTIVITIES		
Purchases of intangible assets	(910)	(1,683)
Purchases of property, plant and equipment	(3,505)	(3,509)
Proceeds from sales of intangible assets and property, plant and equipment	22	12
Acquisition cost of activities purchased ⁽¹⁾	(962)	-
Purchases of financial assets ⁽²⁾	(2,449)	(2,190)
Proceeds from sales of financial assets ⁽²⁾	2,452	2,548
Net cash provided by (used in) investing activities	(5,352)	(4,822)
III - FINANCING ACTIVITIES		
Proceeds from issuance of ordinary shares	1,954	2,094
Dividends paid	(9,274)	(7,646)
Purchases of treasury shares	(9,274)	(7,646)

(1) At September 30, 2016, this amount corresponds to the acquisition cost of the activities of the Group's former agent in Vietnam (see note 3 hereafter).

(2) 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		Share premium	Treasury shares	Currency translation adjustments	Retained earnings and net income	Equity	
	Number of shares	Par value per share						Share capital
Balance at January 1, 2015	30,329,114	1.00	30,329	7,282	(133)	(8,503)	65,327	94,302
Net income							15,970	15,970
Other comprehensive income						504	126	630
Comprehensive income						504	16,096	16,600
Exercised stock options	436,444	1.00	436	1,658				2,094
Fair value of stock options							110	110
Sale (purchase) of treasury shares					(226)			(226)
Profit (loss) on treasury shares							18	18
Dividends paid							(7,646)	(7,646)
Balance at September 30, 2015	30,765,558	1.00	30,766	8,940	(359)	(7,999)	73,905	105,252
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							18,731	18,731
Other comprehensive income						(697)	(746)	(1,443)
Comprehensive income						(697)	17,985	17,288
Exercised stock options	384,806	1.00	385	1,569				1,954
Fair value of stock options							96	96
Sale (purchase) of treasury shares					(77)			(77)
Profit (loss) on treasury shares							60	60
Dividends paid							(9,274)	(9,274)
Balance at September 30, 2016	31,171,205	1.00	31,171	10,587	(280)	(8,891)	90,413	123,001

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT SEPTEMBER 30, 2016

1. BUSINESS ACTIVITY

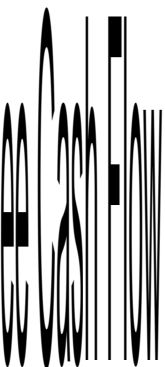
Lectra was established in 1973 and has been listed since 1987 on Euronext (compartment B). Lectra is the world leader in software, CAD/CAM equipment and associated services dedicated to large-scale users of fabrics, leather, technical textiles and composite materials. Lectra addresses a broad array of 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 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 and software 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



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Free cash flow is equal to net cash provided by operating activities minus cash used in investing activities

6. OPERATING SEGMENTS' INFORMATION

(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 costs of the Group (see the notes to the consolidated financial statements) 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 affect the results.

–€2.9 million arising from the decrease of the receivable on the French tax administration (*Trésor public*) corresponding to the research tax credit and the competitiveness and employment tax credit. This amount corresponds to the difference between the tax credits for the first nine months of 2016 after deduction from the corporate income tax due by Lectra SA for the same period, accounted for but not received, and the balance outstanding relating to the 2012 research tax credit received in Q3 2016 (see note 8 hereafter);
+€2.7 million corresponding to a decrease in trade accounts payable;
+€1.3 million arising from the change in other current assets and liabilities; taken individually, these changes are all immaterial.

The working capital requirement at September 30, 2016, was negative at €0.4 million. It comprised a receivable of €20.9 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 €21.2 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 the first nine months of 2016 have been entirely deducted from the corporate income tax due by Lectra SA.

Thus, at September 30, 2016, Lectra SA held a €20.9 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 (€1.9 million), 2015 (€5.7 million), 2014 (€6.9 million) and 2013 (€6.3 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. Thus, in Q3 2016, it received the balance outstanding relating to the 2012 tax credit

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At September 30, 2016, the company held 17,798 Lectra shares (i.e. 0.06% of the share capital) with an average purchase price of €15.76 entirely under the Liquidity Agreement.

10. CASH AND CASH EQUIVALENTS AND NET CASH