MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS FOR THE FIRST QUARTER 2013

Dear Shareholders,

We report below on Lectra Group's business activity and consolidated financial statements for the first quarter 2013, ending March 31.

To make the discussion of revenues and earnings as relevant as possible, detailed comparisons between 2013 and 2012 are based on 2012 exchange rates ("like-for-like") unless stated otherwise.

The 2012 results with which those of 2013 are compared have been restated in comparison with the published results, given the compulsory application from January 1, 2013, of the revised version of the IAS 19 standard *(see note 2 of the notes to this report)*.

1. SUMMARY OF OPERATIONS FOR Q1 2013

With an average exchange rate of $1.32/€1, the U.S. dollar remained virtually stable compared with Q1 2012 ($1.31/€1). Currency movements mechanically decreased revenues by €0.6 million (–1%) and income from operations by €0.2 million (–6%) for the quarter at actual exchange rates, compared with like-for-like figures.

Orders for New Software Licenses and CAD/CAM Equipment Weaker than Expected, amid Persistently Sluggish Business Conditions

In its February 12, 2013, financial report, the company indicated that economic conditions looked set to remain as weak in 2013 as in 2012, and that the year seemed likely to be both difficult and unpredictable.

It consequently highlighted that companies are at risk of facing greater difficulty in financing capital expenditures. As in 2012, even more than deteriorating macroeconomic conditions, the alternation of good news and bad news, the lack of visibility, and the growing concerns of companies as long as there are still no signs of a sustainable improvement in the economy, will continue to weigh heavily on those companies' investment decisions.

Amid these conditions, the weak level of orders recorded in 2012 could continue throughout part or all of the year.

The reality of the first quarter has confirmed this analysis.

Orders for new software licenses and CAD/CAM equipment amounted to €16.2 million, down €2.6 million (–14%) compared with Q1 2012 (€19 million). New software licenses were down 13% and CAD/CAM equipment down 14%.

Geographically, the situation remains uneven. While orders in the Americas increased by 2% overall, those in Europe and in Asia-Pacific dropped by 17% and 38% respectively. Orders in the rest of the world (North and South Africa, Turkey, the Middle East, etc.) increased by 29%. Orders in emerging countries (55% of total orders) declined by 4% and in developed countries (45% of total orders) by 23%.

Orders in the fashion market were down 2%. Those in automotive dropped by 22%, by 36% in furniture and by 11% in other industries.

These changes over a single quarter do not allow the extrapolation of trends in geographic markets and market sectors for the fiscal year.

Revenues up Slightly thanks to Recurring Revenues Growth, Illustrating the Strength of the Company's Business Model

Revenues totaled €48.3 million, up 2% relative to Q1 2012, and 1% at actual exchange rates.

Revenues from new systems sales (€19.5 million) were down by €0.9 million (–4%). This decrease is mainly the result of the weak order backlog for new systems at January 1, 2013, and weak sales activity in the first quarter.

Recurring revenues (€28.8 million), on the other hand, rose by €2.1 million (+8%), resulting from the combination of a 5% increase in revenues from recurring contracts and a 12% increase in revenues from spare parts and consumables. This acceleration (recurring revenues rose 3% in 2012) represents a remarkable performance that deserves special mention.

Income from operations before non-recurring items amounted to €3.1 million. It remained stable like-for-like (€3.3 million) compared with Q1 2012; the operating margin before non-recurring items (6.4%) decreased 0.3 percentage points.

The company's 2013 roadmap corresponding to the most cautious scenario communicated on February 12, 2013, anticipated revenues of €48 million and income from operations before non-recurring items of €2.6 million: the first quarter was in line with this scenario.

End of Litigation against Induyco: Payment of €11.1 million Received

Lectra received on March 7, 2013, payment of the outstanding €11.1 million which was due by Induyco further to the decision rendered on January 28, 2013, by the Madrid Court of Appeal.

With this decision, the Madrid Court of Appeal had rejected Induyco's challenge to *exequatur*, and had thus confirmed the judgment of the Madrid Court of First Instance of June 27, 2011, which had granted *exequatur* in Spain of the arbitral award rendered against Induyco in October 2009, in London, by an International Arbitral Tribunal.

This payment puts an end to eight years of legal proceedings, after Lectra's filing of its request for arbitration in 2005, and is the mark of success of the strong determination shown by Lectra since the dispute arose, to enforce its rights and recover the full amount of the damages the arbitral tribunal had awarded to it *(see note 23 to the 2012 consolidated financial statements, to which readers are invited to refer)*.

As all of the costs incurred by Lectra have already been paid, the €11.1 million received results in a non-recurring income of the same amount recorded in the Q1 2013 financial statements, a net tax charge of €1.1 million—taking into account the tax losses carried forward of Lectra Spain, with no cash disbursement—and a net income of €10 million. Free cash flow and cash position are increased by €11.1 million.

Net Income and Free Cash Flow Strongly Positive, Balance Sheet Particularly Solid

Given the non-recurring item of €11.1 million, income from operations was €14.2 million.

Net income amounted to €12.2 million. Excluding non-recurring items, net income was €2.2 million and decreased €0.2 million (–7%) at actual exchange rates, compared with Q1 2012.

Free cash flow was positive at €13.2 million. Excluding non-recurring items, free cash flow amounted to €2.1 million (€5.2 million in Q1 2012).

The net cash position at March 31, 2013, was positive at €27.6 million (€14.2 million at December 31, 2012). Cash and cash equivalents totaled €28.5 million and financial borrowings were down to €1 million corresponding to public, interest-free advances intended to help finance research and development programs. Indeed, the company, at its own initiative, repaid in advance on March 31, 2013, the outstanding balance of €5.4 million on the medium-term bank loan of €48 million put in place to finance the public stock buyback tender offer for 20% of the company's share capital, carried out in May 2007.

Progress in the Company's Transformation Plan

At the end of 2011, despite the prevailing economic conditions, the company decided to accelerate its transformation over the period to 2015, giving precedence to its long-term strategy rather than to short-term profitability.

This plan is detailed at length in the company's February 12, 2013, financial report and 2012 annual report, which readers are invited to refer. This three-point plan comprises:

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

These investments for the future are fully expensed, while their benefits will only be felt progressively.

2. CONSOLIDATED FINANCIAL STATEMENTS FOR Q1 2013

Revenues

Q1 2013 revenues totaled €48.3 million, up 2% like-for-like (1% at actual exchange rates) compared with Q1 2012.

Revenues increased 24% in the Americas but decreased 6% in the Asia-Pacific region and 9% in Europe. These three regions accounted for 29%, 18% and 45% (including 9% for France) of total revenues respectively. Revenues from the rest of the world (7% of total Group revenues) increased 40%.

Revenues from New Systems Sales

Revenues from new software licenses (€4.8 million) were down €1.3 million (–21%) and contributed 10% of total revenues (13% in Q1 2012).

CAD/CAM equipment revenues were up 3% to €12.3 million and accounted for 25% of total revenues (compared with 25% in Q1 2012).

Revenues from training and consulting were up 8% to €2 million.

Overall, revenues from new systems sales (€19.5 million) were down €0.9 million (–4%) and represented 40% of total revenues (compared with 43% in Q1 2012). They increased by 11% in the automotive market. Fashion fell 11%, furniture 1% and other industries 21%.

Revenues from Recurring Contracts and Spare Parts and Consumables

Recurring revenues (€28.8 million) increased by €2.1 million (+8%). They accounted for 60% of total revenues (compared with 57% in Q1 2012).

Revenues from recurring contracts—which represented 59% of recurring revenues and 35% of total revenues—totaled €16.9 million, a 5% increase, thus confirming the growth recorded throughout the whole of fiscal 2012 (+5%) after the declines of 2010 and 2011. They break down as follows:

- revenues from software evolution contracts (€8.1 million), up 7% compared with Q1 2012 and representing 17% of total revenues;
- revenues from CAD/CAM equipment maintenance contracts and from subscription contracts to the Group's five International Call Centers (€8.8 million), which increased by 4% and represented 18% of total revenues.

Meanwhile, revenues from spare parts and consumables (€11.9 million) increased by 12%.

Order Backlog

Orders for new software licenses and CAD/CAM equipment for Q1 2013 being slightly lower than revenues for the same period, the order backlog at March 31, 2013 (€11.6 million) was down €0.5 million relative to December 31, 2012.

The order backlog comprised €10.6 million for shipment in the second quarter of 2013 and €1 million over the rest of the year.

Gross Profit Margin

The overall gross profit margin was 72.0%. Like-for-like, it came to 72.2%, down 0.9 percentage points relative to Q1 2012 (73.1%), given the mix of sales, the weight of software in total revenues having declined.

It is important to note that personnel expenses and other operating expenses incurred in the execution of service contracts are not included in the cost of sales but are recognized in selling, general, and administrative expenses.

Overhead Costs

Total overhead costs were €31.7 million, up €0.5 million (+2%) compared with 2012. They break down as follows:

- €28.8 million in fixed overhead costs, up €0.8 million (+3%);
- €2.9 million in variable costs, down €0.3 million (–9%).

R&D costs are fully expensed in the period and included in fixed overhead costs. Before deducting the research tax credit and the tax credit for encouraging competitiveness and jobs relating to R&D personnel applicable in France, R&D costs amounted to €4.8 million and represented 10% of revenues (compared with €4.5 million and 9.5% in 2012). Net R&D costs after deduction amounted to €3.2 million (€3.1 million in 2012).

Income from Operations and Net Income

Income from operations before non-recurring items was €3.1 million. Like-for-like (€3.3 million), it remained stable relative to income from operations for Q1 2012—there were no non-recurring items in Q1 2012. At actual exchange rates, it decreased by €0.2 million (–7%).

The operating margin before non-recurring items was 6.4%, down 0.3 percentage points like-for-like compared with Q1 2012 (7%) and down 0.6 percentage points at actual exchange rates.

Financial income and expenses represent a net charge of €0.1 million, down relative to Q1 2012 (€0.3 million), mainly due to the steep decline in the balance outstanding on the medium-term bank loan between the two periods. The balance of foreign exchange gains and losses was close to zero.

After integrating the non-recurring income of €11.1 million resulting from the litigation against Induyco, income from operations was €14.2 million.

After an income tax charge of €2.0 million, net income was €12.2 million. Net income before non-recurring items amounted to €2.2 milllion (€2.4 million in Q1 2012).

Net earnings per share on basic capital were €0.42 and on diluted capital €0.41 (€0.08 for both basic and diluted capital in Q1 2012).

Free Cash Flow

Free cash flow before non-recurring items amounted to €2.1 million (€5.2 million in Q1 2012). This figure results from cash flow provided by operating activities of €3.1 million (including an increase in working capital requirement of €1.3 million), and cash flow used in investing activities of €1 million *(see note 7 of the notes to this report)*.

The research tax credit (€1.7 million) and the tax credit for encouraging competitiveness and jobs (€0.1 million) for the quarter were accounted for but not received. If they had been received, free cash flow before non-recurring items would have amounted to €3.9 million, exceeding net income before non-recurring items by €1.7 million.

After integrating the non-recurring receipt of €11.1 million, free cash flow amounted to €13.2 million (there were no non-recurring items in Q1 2012).

Shareholders' Equity

At March 31, 2013, consolidated shareholders' equity amounted to €77.5 million (€65 million at December 31, 2012).

This figure is calculated after deduction of treasury shares held solely within the Liquidity Agreement. Treasury shares are carried at cost, i.e. €0.3 million (versus €0.4 million at December 31, 2012).

However, it does not include the total amount of dividend (estimated at €6.4 million) to be paid on May 10, subject to approval by the Ordinary Shareholders' Meeting of April 30, 2013, which will reduce stockholders' equity and cash and cash equivalents correspondingly.

Cash and cash equivalents totaled €28.5 million (€21 million at December 31, 2012).

Financial borrowings totaled €1 million (€6.7 million at December 31, 2012), and correspond to interest-free government advances to help finance R&D programs.

Consequently, the net cash position was positive at €27.6 million at March 31, 2013 (€14.2 million at December 32, 2012).

The working capital requirement amounted to €2.7 million. It comprised a receivable of €17.6 million on the French tax administration (*Trésor Public*) corresponding to the research tax credit and the tax credit for encouraging competitiveness and jobs accounted for in Q1 2013, which has not been received and has not been offset against a tax charge. Restated for this receivable, the working capital requirement was negative at €14.9 million.

It should be noted that, when the research tax credit and the tax credit for encouraging competitiveness and jobs recognized in the year cannot be charged against income tax, they are treated as a receivable on the French tax administration. If unused in the ensuing three years, they are repaid in the course of the fourth year *(see note 8 of the notes to this report)*.

3. SHARE CAPITAL – OWNERSHIP – SHARE PRICE PERFORMANCE

Change in Share Capital

At March 31, 2013, the share capital totaled €29,046,288, divided into 29,046,288 shares with a par value of €1.00. Share capital was €28,948,315, divided into 28,948,315 shares with a par value of €1.00, at December 31, 2012.

Share capital has increased by 97,973 shares since January 1, 2013, resulting from the exercise of stock options (an increase of €0.1 million of share capital together with total share premium of €0.2 million).

On January 7, 2013, Delta Lloyd Asset Management N.V., on behalf of investment funds managed by it, reported that it had increased its shareholding above the threshold of 15% of the company's capital stock, and that at that date it held 15.08% of the capital stock and 14.84% of the voting rights. On March 26, 2013, Delta Lloyd reported that it had decreased its shareholding, on March 22, below the threshold of 15% of the capital stock and that it held, on behalf of investment funds managed by it, 14.97% of the capital stock and 14.76% of the voting rights.

No other crossing of statutory thresholds has been notified to the company since January 1, 2013.

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

- André Harari and Daniel Harari, who together hold 38.3% of the capital and 37,8% of the voting rights;
- Delta Lloyd Asset Management N.V. (Netherlands), which holds more than 10% (but less than 15%) of the capital and of the voting rights, on behalf of investment funds managed by it;
- Financière de l'Echiquier and Schroder Investment Management Ltd (UK), each of which holds more than 5% (but less than 10%) of the capital and voting rights, on behalf of investment funds managed by them.

Treasury Shares

At March 31, 2013, the company held 0.2% 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, 2013, was €5.34, up 13% compared with December 31, 2012 (€4.73). The share price recorded in 2013 a low of €4.76 on January 2 and a high of €5.62 on February 15. The CAC 40 index and the CAC Mid & Small index rose 2% and 6% respectively over the same period.

According to Euronext statistics, the number of shares traded (1.4 million) was down 29%, and trading volumes (€7.3 million) were down 18% compared with the same period in 2012.

4. SIGNIFICANT POST-CLOSING EVENTS

No significant event has occurred since March 31, 2013.

5. FINANCIAL CALENDAR

The annual Ordinary Shareholders' Meeting will be held on April 30, 2013.

The first-half 2013 financial results will be published on July 25, after close of trading on NYSE Euronext.

6. BUSINESS TRENDS AND OUTLOOK

The company has developed at length, in its financial report of February 12, 2013, and its 2012 Annual Report, to which readers are invited to refer, its business trends and outlook.

In particular, it has described: the new strategic roadmap for 2013-2015 to enable the company to fully realize its growth potential; its clear and ambitious financial goals for the period; the far-reaching company transformation plan and investments for the future representing a cumulative €50 million over the period 2012-2015 (fully expensed, while their benefits will only be felt progressively); the pursuit of its dividend-payment policy while financing internally in full its future development; and, finally, its 2013 outlook.

The company highlighted on February 12, that, in the most cautious scenario, with customer purchasing decisions remaining on hold and the transformation plan producing only part of the expected gains, the company expected total revenues of approximately €203 million (+6% vs. 2012) for the fiscal year 2013, income from operations before non-recurring items of around €15 million (–10%), reducing the operating margin before non-recurring items to approximately 7.5%, and net income of around €10 million (–25% at actual exchange rates).

The company also emphasized that its goal was to exceed these figures. For every extra €1 million in revenues from new systems sales, income from operations would increase by approximately €0.45 million.

The first quarter results are in line with this scenario, which remains relevant.

Given the weakness of sales activity in the first quarter and of the order backlog at March 31, 2013, visibility remains limited, calling for continuing caution.

The Company is Confident in its Medium-Term Growth Prospects

The company entered 2013 with very solid operating fundamentals and a balance sheet that was further strengthened in the first quarter, with the receipt of the balance due from the litigation against Induyco and the repayment of its financial debt.

Bolstered by its performance since 2010, the strength of its business model and the relevance of its new strategic roadmap, the company is confident in its growth prospects for the medium term and in reaching the goals it has set itself for 2015: a compound annual revenue growth rate equal to or greater than 10%; a 15% operating margin (excluding non-recurring items); and to more than double income from operations (excluding non-recurring items) and net income in three years.

The Board of Directors

April 29, 2013

Company Certification of the First Quarter 2013 Report

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, 2013

Daniel Harari	Jérôme Viala
Chief Executive Officer	Chief Financial Officer

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS (in thousands of euros)	As at March 31, 2013	As at December 31, 2012 [1]	As at March 31, 2012 [1]
Goodwill	31,274	31,132	31,036
Other intangible assets	4,210	4,273	4,875
Property, plant and equipment	13,044	12,959	12,091
Non-current financial assets	1,882	1,871	1,783
Deferred tax assets	7,676	8,791	9,823
Total non-current assets	58,086	59,026	59,608
Inventories	23,036	22,756	22,999
Trade accounts receivable	38,569	45,149	37,708
Other current assets	25,193	22,108	18,965
Cash and cash equivalents	28,519	20,966	31,346
Total current assets	115,317	110,979	111,018
Total assets	173,403	170,005	170,626

EQUITY AND LIABILITIES (in thousands of euros)	As at March 31, 2013	As at December 31, 2012 [1]	As at March 31, 2012 [1]
Share capital	29,046	28,948	28,051
Share premium	2,831	2,600	2,520
Treasury shares	(282)	(380)	(749)
Currency translation adjustment	(9,051)	(8,840)	(8,956)
Retained earnings and net income	54,958	42,676	39,454
Total equity	77,502	65,004	60,321
Retirement benefit obligations	6,902	6,872	5,931
Borrowings, non-current portion	392	892	16,311
Total non-current liabilities	7,294	7,764	22,242
Trade and other current payables	41,819	44,265	44,378
Deferred revenues	40,154	41,911	38,018
Current income tax liabilities	2,086	1,545	1,386
Borrowings, current portion	574	5,834	1,032
Provisions for other liabilities and charges	3,974	3,682	3,249
Total current liabilities	88,607	97,237	88,063
Total equity and liabilities	173,403	170,005	170,626

(1) The impacts of the application of the revised IAS 19 standard – Employee Benefits with effect from January 1, 2013, are restated retrospectively in the consolidated statement of financial position at March 31, 2012, and at December 31, 2012 (see note 2 "Summary of accounting rules and methods").

CONSOLIDATED INCOME STATEMENT

(in thousands of euros)	Three months ended March 31, 2013	Three months ended March 31, 2012 [(1)]
Revenues	48,344	47,813
Cost of goods sold	(13,548)	(12,876)
Gross profit	34,797	34,937
Research and development	(3,218)	(3,079)
Selling, general and administrative expenses	(28,476)	(28,517)
Income (loss) from operations before non-recurring items	3,102	3,341
Non-recurring income	11,124	-
Income (loss) from operations	14,226	3,341
Financial income	38	77
Financial expenses	(143)	(384)
Foreign exchange income (loss)	49	(123)
Income (loss) before tax	14,171	2,911
Income tax	(1,958)	(550)
Net income (loss)	12,213	2,361

(in euros)		
Earnings per share		
- basic	0.42	0.08
- diluted	0.41	0.08
Shares used in calculating earnings per share		
- basic	28,923,802	28,765,232
- diluted	29,472,568	29,243,093

STATEMENT OF COMPREHENSIVE INCOME

(in thousands of euros)	Three months ended March 31, 2013	Three months ended March 31, 2012 [(1)]
Net income (loss)	12,213	2,361
Currency translation adjustment	(211)	(140)
Tax effect	-	-
Other comprehensive income (loss) which will be later reclassified in net income (loss)	(211)	(140)
Actuarial gains (losses) on defined benefit pension liabilities	-	(916)
Effective portion of the change in fair value of interest-rate swaps	-	93
Tax effect	-	200
Other comprehensive income (loss) which will not be later reclassified in net income (loss)	0	(623)
Comprehensive income (loss)	12,002	1,598

(1) The impacts of the application of the revised IAS 19 standard – Employee Benefits with effect from January 1, 2013, are restated retrospectively in the consolidated income statement at March 31, 2012 (see note 2 “Summary of accounting rules and methods”).

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of euros)	Three months ended March 31, 2013	Three months ended March 31, 2012 (1)
I - OPERATING ACTIVITIES		
Net income (loss)	12,213	2,361
Depreciation and amortization	2,043	2,257
Non-cash operating expenses	28	(205)
Loss (profit) on sale of fixed assets	-	(9)
Changes in deferred income taxes, net value	1,174	(213)
Changes in inventories	(533)	(2,011)
Changes in trade accounts receivable	4,571	8,543
Changes in other current assets and liabilities	(5,299)	(3,995)
Net cash provided by (used in) operating activities	14,197	6,728
II - INVESTING ACTIVITIES		
Purchases of intangible assets	(356)	(561)
Purchases of property, plant and equipment	(620)	(1,141)
Proceeds from sales of intangible assets and property, plant and equipment	2	54
Purchases of financial assets	(374)	(118)
Proceeds from sales of financial assets	388	201
Net cash provided by (used in) investing activities	(960)	(1,565)
III - FINANCING ACTIVITIES		
Proceeds from issuance of ordinary shares	329	48
Purchases of treasury shares	(213)	(173)
Sales of treasury shares	374	115
Proceeds from long term and short term borrowings	-	-
Repayments of long term and short term borrowings	(5,760)	(300)
Net cash provided by (used in) financing activities	(5,270)	(310)
Increase (decrease) in cash and cash equivalents	7,967	4,853
Cash and cash equivalents at the opening	20,966	26,320
Increase (decrease) in cash and cash equivalents	7,967	4,853
Effect of the consolidation of Lectra Morocco	-	137
Effect of changes in foreign exchange rates	(414)	36
Cash and cash equivalents at closing	28,519	31,346
Free cash flow before non-recurring items	2,113	5,163
Non-recurring items of the free cash flow	11,124	-
Free cash flow	13,237	5,163
Income tax paid (reimbursed), net	345	810
Interest paid	15	204

(1) The impacts of the application of the revised IAS 19 standard – Employee Benefits with effect from January 1, 2013, are restated retrospectively in the consolidated statement of cash flows at March 31, 2012 (see note 2 "Summary of accounting rules and methods").

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in thousands of euros, except for par value per share expressed in euros)	Share capital							
	Number of shares	Par value per share	Total par value	Share premium	Treasury shares	Currency translation adjustment	Retained earnings and net income	Equity
Balances at January 1, 2012	28,903,610	0.97	28,037	2,487	(722)	(8,816)	37,700	58,686
Net income (loss) (1)							2,361	2,361
Other comprehensive income (loss)						(140)	(623)	(763)
Comprehensive income (loss)						(140)	1,738	1,598
Exercised stock options	15,070	0.97	15	33				48
Fair value of stock options							37	37
Sale (purchase) of treasury shares					(27)			(27)
Profit (loss) on treasury shares							(21)	(21)
Balances at March 31, 2012	28,918,680	0.97	28,051	2,520	(749)	(8,956)	39,454	60,321
Balances at January 1, 2012	28,903,610	0.97	28,037	2,487	(722)	(8,816)	37,700	58,686
Net income (loss) (1)							13,325	13,325
Other comprehensive income (loss)						(24)	(1,305)	(1,329)
Comprehensive income (loss)						(24)	12,020	11,996
Increase of par value per share		0.03	868				(868)	-
Exercised stock options	44,705	0.99	44	112				156
Fair value of stock options							225	225
Sale (purchase) of treasury shares					342			342
Profit (loss) on treasury shares							(71)	(71)
Dividends paid							(6,330)	(6,330)
Balances at December 31, 2012	28,948,315	1.00	28,948	2,600	(380)	(8,840)	42,676	65,004
Net income (loss)							12,213	12,213
Other comprehensive income (loss)						(211)	-	(211)
Comprehensive income (loss)						(211)	12,213	12,002
Exercised stock options	97,973	1.00	98	231				329
Fair value of stock options							26	26
Sale (purchase) of treasury shares					98			98
Profit (loss) on treasury shares							42	42
Balances at March 31, 2013	29,046,288	1.00	29,046	2,831	(282)	(9,051)	54,958	77,502

(1) The impacts of the application of the revised IAS 19 standard – Employee Benefits with effect from January 1, 2013, are restated retrospectively in the consolidated statement of changes in equity at March 31, 2012, and at December 31, 2012 (see note 2 "Summary of accounting rules and methods").

NOTES TO THE Q1 2013 CONSOLIDATED FINANCIAL STATEMENTS

1. BUSINESS ACTIVITY

Lectra was established in 1973 and has been listed on NYSE Euronext (compartment C) since 1987. 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, including fashion (apparel, accessories, and footwear), automotive (car seats and interiors, airbags), furniture and a wide variety of other industries, such as the aeronautical and marine industries, and wind power.

The company's technology offering 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 industry, Lectra's software applications also enable 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 to overcome their major strategic challenges: e.g., cutting costs and boosting productivity; reducing time-to-market; dealing with globalization; developing secure electronic communications across the supply chain; 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).

With the exception of a few products for which the company has formed long-term strategic partnerships, 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 main 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 1,350 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 31 sales and services subsidiaries, which are backed by agents and distributors in some regions. Thanks to this unrivalled network, Lectra generated 91% of its revenues directly in 2012. Its five International Call Centers, at 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 in its International Advanced Technology & Conference Centers at Bordeaux–Cestas (France) for Europe and international visitors, and its two International Advanced Technology Centers at 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 760 employees dedicated to marketing, sales and services. It employs 210 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 comprises two types of revenue streams:

- revenues from new systems sales (new software licenses and CAD/CAM equipment, related services and per-call maintenance and support interventions), the company's growth driver;
- recurring revenues, consisting partly of recurring contracts (e.g., software evolution, CAD/CAM equipment maintenance and on-line support contracts), and partly of sales of spare parts and consumables, which correspond to statistically recurring revenues generated by the installed base. These recurring revenues are a key factor in the company's stability, acting as a cushion in periods of slow overall economic growth.

In addition, the business model is geared to generating free cash flow in excess of net income assuming utilization or receipt of the annual research tax credit and tax credit for encouraging competitiveness and jobs 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/internal_market/accounting/ias/index_en.htm

The condensed consolidated financial statements at March 31, 2013, have been prepared in accordance with IAS 34 - Interim Financial Statements. They do not comprise all of the financial disclosures required in the complete annual financial statements and should be read in conjunction with the Group's consolidated financial statements and attached notes for the fiscal year 2012, available on www.lectra.com.

The consolidated financial statements at March 31, 2013, have been prepared in accordance with the same rules and methods as those applied in the preparation of the 2012 financial statements, with the exception of the two standards presented below. They have been prepared under the responsibility of the Board of Directors at its meeting of April 29, 2013, and have not been reviewed by the Statutory Auditors.

The Group has applied the amendment to IAS 1 – Presentation of other comprehensive income (loss), mandatory for fiscal years starting from January 1, 2013, which has led the Group to modify the consolidated statement of comprehensive income.

The Group has also applied the amendment to IAS 19 – Employee benefits, mandatory for fiscal years starting from January 1, 2013. The only impact of application of this amendment concerns accounting for past service costs. These were amortized over the expected duration of the obligation whereas they are henceforward recognized in full in the income statement with effect from January 1, 2013. Retrospective application of this amendment has led the Group to restate prior published periods, and to show a reduction of €500,000 (€333,000 after tax effect) at March 31, 2012, and of €479,000 (€319,000 after tax effect) at December 31, 2012, in restated consolidated shareholders' equity.

For the record, the Group decided in 2012 to recognize all actuarial gains or losses in the consolidated statement of comprehensive income. This change of accounting method was made in anticipation of the application of the revised IAS 19 standard in 2013, under which this option to recognize actuarial gains and losses in equity became compulsory.

CONSOLIDATED INCOME STATEMENT

	Three months ended March 31, 2012 published	Three months ended March 31, 2012 restated	Twelve months ended December 31, 2012 published	Twelve months ended December 31, 2012 restated
Revenues	47,813	47,813	198,436	198,436
Cost of goods sold	(12,876)	(12,876)	(53,475)	(53,475)
Gross profit	34,937	34,937	144,961	144,961
Research and development	(3,079)	(3,079)	(11,536)	(11,536)
Selling, general and administrative expenses	(28,017)	(28,517)	(113,611)	(114,090)
Income (loss) from operations	3,841	3,341	19,814	19,335
Income (loss) before tax	3,411	2,911	18,509	18,030
Income tax	(717)	(550)	(4,865)	(4,705)
Net income (loss)	2,694	2,361	13,644	13,325

The Group has not adopted, before they became mandatory, any standards, amendments or interpretations whose application is not required for fiscal years starting from January 1, 2013.

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 notably 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 the income from operations of those quarters.

Comparisons identified as "like-for-like" correspond to 2013 figures restated at 2012 exchange rates, in comparison with actual data for 2012.

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 consolidated financial statements, related to goodwill impairment and deferred taxation.

Revenues

Revenues from sales of hardware are recognized when the significant risks and benefits relating to ownership are transferred to the purchaser.

For hardware, or for software in cases where the company also sells the computer equipment on which the software is installed, these conditions are fulfilled upon physical transfer of the hardware in accordance with the contractual sale terms.

For software not sold with the hardware on which it is installed, 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, billed in advance, are booked monthly 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

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, conditioning their commercialization. Consequently, the technical and economic criteria that render the recognition of development costs in assets at the moment they occur are not met, and these, together with research costs, are therefore expensed in the year in which they are incurred.

The (French) research tax credit *(crédit d’impôt recherche)* and tax credit for encouraging competitiveness and jobs relating to R&D personnel, as well as grants linked to R&D projects, if any, are deducted from R&D expenses.

Basic and Diluted 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 in the revised version of 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.

Borrowings and Financial Debt

The non-current portion of borrowings and financial debt comprises the portion due in more than one year of:

- the interest-bearing bank loans;
- non-interest bearing reimbursable advances corresponding to R&D grants.

The current portion of borrowings and financial debt comprises:

- the portion of bank loans, reimbursable advances and other borrowings and financial debt due in less than one year;
- cash facilities, where applicable.

Borrowings and financial debts are recognized initially at fair value.

At balance sheet date, borrowings and financial debt are stated at amortized cost using the effective interest rate method, defined as the rate whereby cash received equals the total cash flows relating to the servicing of the borrowing. Interest expenses on the bank loans and on the utilization of cash credit facilities are recognized as financial expenses in the income statement.

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 in the sense of the regions whose performance is reviewed by the Executive Committee. 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, 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 value added 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 sufficient to cover its costs. The Corporate segment's general overheads, most of which are fixed, its margin profit and consequently its income from operations therefore depend mainly on the volume of business generated by marketing regions.

3. SCOPE OF CONSOLIDATION

At March 31, 2013, the Group's scope of consolidation comprised Lectra SA together with 27 fully-consolidated companies.

There was no change in the scope of consolidation during Q1 2013.

A subsidiary of Lectra SA, Lectra Maroc SARL, which was not until then included in the Group's scope of consolidation, was fully consolidated in 2012. The impact on the Group financial statements for the fiscal year 2012 of this first-time consolidation was not material.

Four sales and service subsidiaries are not consolidated, their revenues being immaterial both separately and in the aggregate. At March 31, 2013, their combined revenues totaled €0.2 million, and their combined assets in their statement of financial position totaled €1.6 million. They had no non-Group financial debt. Most of these subsidiaries' sales activity is billed directly by the parent company, Lectra SA.

Transactions with these related parties mainly concern purchases from the parent company for the purposes of their local operations, or charges and commissions billed to the parent company in order to cover their overheads in the case of agents. The amount concerned by these transactions was not material at March 31, 2013.

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

	Three Months Ended March 31				
	2013		2012 [(1)]	Changes 2013/2012	
(in thousands of euros)	Actual	At 2012 exchange rates	Actual	Actual	Like-for-like
Revenues	48,344	48,987	47,813	+1%	+2%
Cost of goods sold	(13,548)	(13,623)	(12,876)	+5%	+6%
Gross profit	34,797	35,364	34,937	-0%	+1%
(in % of revenues)	72.0%	72.2%	73.1%	-1.1 points	-0.9 point
Research and development	(3,218)	(3,218)	(3,079)	+5%	+5%
Selling, general and administrative expenses	(28,476)	(28,856)	(28,517)	-0%	+1%
Income from operations before non-recurring items	3,102	3,290	3,341	-7%	-2%
(in % of revenues)	6.4%	6.7%	7.0%	-0.6 point	-0.3 point
Non-recurring income	11,124	11,124	-	na	na
Income from operations	14,226	14,414	3,341	ns	ns
(in % of revenues)	29.4%	29.4%	7.0%	ns	ns
Income before tax	14,171	14,359	2,911	ns	ns
Income tax	(1,958)	na	(550)	ns	na
Net income	12,213	na	2,361	ns	na

(1) The impacts of the application of the revised IAS 19 standard – Employee Benefits with effect from January 1, 2013, are restated retrospectively in the consolidated income statement at March 31, 2012 (see note 2 "Summary of accounting rules and methods").

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

Revenues by geographic region

	Three Months Ended March 31						
	2013			2012		Changes 2013/2012	
(in thousands of euros)	Actual	%	At 2012 exchange rates	Actual	%	Actual	Like-for-like
Europe, of which :	21,831	45%	21,851	23,970	50%	-9%	-9%
- France	4,230	9%	4,230	5,559	12%	-24%	-24%
Americas	14,253	29%	14,485	11,666	24%	+22%	+24%
Asia-Pacific	8,687	18%	8,940	9,526	20%	-9%	-6%
Other countries	3,573	7%	3,711	2,651	6%	+35%	+40%
Total	48,344	100%	48,987	47,813	100%	+1%	+2%

Revenues by product line

(in thousands of euros)	2013 Actual	2013 %	2013 At 2012 exchange rates	2012 Actual	2012 %	Changes 2013/2012 Actual	Changes 2013/2012 Like-for-like
Software, of which :	12,933	27%	13,094	13,868	29%	-7%	-6%
- New licenses	4,824	10%	4,881	6,159	13%	-22%	-21%
- Software evolution contracts	8,109	17%	8,213	7,709	16%	+5%	+7%
CAD/CAM equipment	12,324	25%	12,452	12,143	25%	+1%	+3%
Hardware maintenance and on-line services contracts	8,776	18%	8,921	8,610	18%	+2%	+4%
Consumables and spare parts	11,932	25%	12,092	10,809	23%	+10%	+12%
Training and consulting services	1,987	4%	2,030	1,878	4%	+6%	+8%
Miscellaneous	392	1%	399	505	1%	-22%	-21%
Total	48,344	100%	48,987	47,813	100%	+1%	+2%

Three Months Ended March 31

Breakdown of revenues between new systems sales and recurring revenues

(in thousands of euros)	2013 Actual	2013 %	2013 At 2012 exchange rates	2012 (3) Actual	2012 (3) %	Changes 2013/2012 Actual	Changes 2013/2012 Like-for-like
Revenues from new systems sales (1)	19,527	40%	19,762	20,685	43%	-6%	-4%
Recurring revenues (2), of which :	28,817	60%	29,226	27,128	57%	+6%	+8%
- Recurring contracts	16,885	35%	17,134	16,319	34%	+3%	+5%
- Consumables and spare parts	11,932	25%	12,092	10,809	23%	+10%	+12%
Total	48,344	100%	48,987	47,813	100%	+1%	+2%

Three Months Ended March 31

(1) Revenues from sales of new systems comprise sales of new software licenses, CAD/CAM equipment, professional services and punctual interventions on the installed base.

(2) Recurring revenues fall into two categories:
- software evolution, hardware maintenance and online support contracts, which are renewable annually,
- revenues from sales of consumables and spare parts, which are statistically recurrent.

(3) Revenues from punctual interventions, which appeared under "Recurring Revenues" in 2012 for an amount of €429,000, are now presented as part of "Revenues from New Systems Sales". The amounts for 2012 have consequently been restated to allow comparison with the 2013 data.

Breakdown of revenues from new systems sales by market sector

(in thousands of euros)	2013 Actual	2013 %	2013 At 2012 exchange rates	2012 (1) Actual	2012 (1) %	Changes 2013/2012 Actual	Changes 2013/2012 Like-for-like
Fashion (apparel, accessories, footwear)	9,330	48%	9,488	10,712	52%	-13%	-11%
Automotive	7,119	36%	7,181	6,456	31%	+10%	+11%
Furniture	1,580	8%	1,595	1,614	8%	-2%	-1%
Other industries	1,498	8%	1,498	1,903	9%	-21%	-21%
Total	19,527	100%	19,762	20,685	100%	-6%	-4%

Three Months Ended March 31

(1) Revenues from punctual interventions, which appeared under "Recurring Revenues" in 2012 for an amount of €429,000, are now presented as part of "Revenues from New Systems Sales". The amounts for 2012 have consequently been restated to allow comparison with the 2013 data.

6. OPERATING SEGMENT INFORMATION

Three months ended March 31, 2013 (in thousands of euros)	Europe	Americas	Asia-Pacific	Other countries	Corporate segment	Total
Revenues	21,831	14,253	8,687	3,573	-	48,344
Income (loss) from operations before non-recurring items	1,957	799	(194)	459	81	3,102

Three months ended March 31, 2012 (in thousands of euros)	Europe	Americas	Asia-Pacific	Other countries	Corporate segment	Total
Revenues	23,970	11,666	9,526	2,651	-	47,813
Income (loss) from operations before non-recurring items[1] [2]	2,584	552	(98)	343	(40)	3,341

(1) The standard profit margins used to determine the performance of operating segments (excluding the Corporate segment) have been increased from January 1, 2013, to take into account the improvement in actual profit margins at the level of marketing regions as well as the Group. The allocation of gross profit between marketing regions and the Corporate segment carried out in this way therefore allows performance by operating segment to be made clearer. The amounts for 2012 have consequently been restated to allow comparison with the 2013 data.

(2) The impacts of the application of the revised IAS 19 standard – Employee Benefits with effect from January 1, 2013, are restated retrospectively in the consolidated income statement at March 31, 2012 (see note 2 "Summary of accounting rules and methods").

Income from operations before non-recurring items, which is obtained by adding together the income for each segment, is identical to consolidated income from operations before non-recurring items shown in the Group's consolidated financial statements and therefore does not require reconciliation.

7. CONSOLIDATED CASH FLOW SUMMARY

(in millions of euros)	Cash and cash equivalent	Financial debts	Net cash (+) Net debt (–)
Free cash flow before non-recurring items	2.1	-	2.1
Non-recurring items included in free cash flow	11.1	-	11.1
Proceeds from issuance of ordinary shares[1]	0.3	-	0.3
Sale and purchase of treasury shares[2]	0.2	-	0.2
Change in borrowings	(5.8)	5.8	-
Impact of currency variations - other	(0.4)	-	(0.4)
Change in cash position for the period	7.6	5.8	13.3
Cash and cash equivalents at December 31, 2012	21.0	(6.7)	14.2
Cash and cash equivalents at March 31, 2013	28.5	(1.0)	27.6
Change in cash position for the period	7.6	5.8	13.3

(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 before non-recurring items at March 31, 2013, amounted to €2.1 million. This figure results from a combination of €3.1 million in cash flows provided by operating activities (including an increase in working capital requirement of €1.3 million) and of €1 million in capital expenditures. Non-recurring items included in free cash flow correspond to the receipt of the balance due from the litigation against Induyco for €11.1 million.

The main variations in working capital requirement are:

– −€4.6 million corresponding to a decrease in trade accounts receivable, taking into account the cash receipt of a significant portion of the recurring contracts at the beginning of the year, usually yearly in advance (the variation in 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);

- +€0.5 million corresponding to an increase in inventories;
- +3.2 million arising from the difference between the variable portion of salaries for the Group in respect of fiscal 2012 paid in 2013, and the one recognized during Q1 2013 and payable in 2014;
- +€1.8 million arising from the (French) research tax credit receivable and tax credit for encouraging competitiveness and jobs receivable for Q1 2013, recognized but not received;
- +€0.4 million arising from the change in other current assets and liabilities; taken individually, these changes are immaterial.

The working capital requirement at March 31, 2013, amounted to €2.7 million. It comprised a receivable of €17.6 million in respect of the (French) research tax credit for FY 2010, 2011, 2012 and Q1 2013 as well as the tax credit for encouraging competitiveness and jobs for Q1 2013, which have not been received and have not been offset against a tax charge. Restated for this receivable, the working capital requirement was negative at €14.9 million, which is a key feature of the Group's business model.

8. RESEARCH TAX CREDIT – TAX CREDIT FOR ENCOURAGING COMPETITIVENESS AND JOBS

At March 31, 2013, the company held a €17.6 million receivable on the French tax administration (*Trésor public*). This comprised:

- the research tax credit recognized in Q1 2013 (€1.7 million), in 2012 (€5.7 million), in 2011 (€6.2 million) and the balance outstanding (€3.9 million) of the research tax credit recognized in 2010 after deduction from income tax due by Lectra SA in respect of Q1 2013 and previous fiscal years.
- the tax credit for encouraging competitiveness and jobs accounted for the first time in Q1 2013 (€0.1 million).

It should be noted that, when the research tax credit and the tax credit for encouraging competitiveness and jobs recognized in the year cannot be charged against income tax, they are treated as a receivable on the French tax administration (*Trésor public*). If unused in the ensuing three years, they are repaid in the course of the fourth year.

In light of company estimates of research tax credit, tax credit for encouraging competitiveness and jobs and income tax for the next three years, the company does not expect to make any payment in respect of income tax (which will be deducted in full from the tax research credit and the tax credit for encouraging competitiveness and jobs receivable), and also expects to receive reimbursement of the balance outstanding of research tax credits and tax credit for encouraging competitiveness and jobs not deducted in 2014 (in respect of the 2010 tax credit), 2015 (in respect of the 2011 tax credit), 2016 (in respect of the 2012 tax credit) and 2017 (in respect of the 2013 tax credits). 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 charge were to rise above the figure for the tax credits for the year, the company would continue not to pay the income tax charge until deduction of the research tax credit and the tax credit for encouraging competitiveness and jobs receivable in full. Thereafter it would offset the research tax credit and tax credit for encouraging competitiveness and jobs against the income tax charge for the same period in full, and would be required to pay the residual amount.

The tax credit for encouraging competitiveness and jobs should represent €0.5 million in 2013 and €0.8 million from 2014.

9. TREASURY SHARES

Since January 1, 2013, the company has purchased 39,689 shares and sold 69,949 shares at an average price of €5.35 and €5.34 respectively under the Liquidity Agreement administered by Exane BNP Paribas.

At March 31, 2013, the company held 54,024 Lectra shares (i.e. 0.2% of share capital) with an average purchase price of €5.22 entirely under the Liquidity Agreement.

10. LIQUIDITY AND BANK BORROWINGS

10.1 Cash and Cash Equivalents and Net Cash

(in thousands of euros)	As at March 31, 2013	As at December 31, 2012
Cash and cash equivalents	28,519	20,966
Total borrowings	(966)	(6,726)
Net cash	27,553	14,240

The Group's net cash increased by €13.3 million during Q1 2013, following the receipt of the balance due of damages from the litigation against Induyco for €11.1 million.

10.2 Borrowings and Financial Debts by Category and by Maturity

At March 31, 2013, the repayment schedule is as follows:

	Short term	Long term		
(in thousands of euros)	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Medium-term bank loan	-	-	-	-
Interest-free repayable advances (1)	574	392	-	966
Total	574	392	-	966

(1) The repayable advances correspond to public grants to finance R&D programs.

10.3 Medium-term Bank Loan

In 2007, the company had contracted a €48 million medium term bank loan from Société Générale and Natixis in order to finance the public stock buyback tender offer for 20% of the company's share capital, carried out in May 2007, at a price of €6.75 per share.

The balance outstanding on the loan, i.e. €5.4 million at December 31, 2012, has been repaid ahead of schedule on March 31, 2013, at company's initiative:

(in thousands of euros)	March 31, 2013	December 31, 2012
Balance of loan outstanding at opening	5,360	15,920
Contractual repayments	-	(560)
Early repayments (at company's initiative)	(5,360)	(10,000)
Application of excess cash flow clause	-	-
Balance of loan outstanding at closing	0	5,360

11. FOREIGN EXCHANGE RISK

The Group's currency risk management policy is unchanged relative to December 31, 2012.

During Q1 2013, the average parity between the US dollar and the euro was $1.32/€1.

Exchange Risk Hedging Instruments

Exchange risk hedging instruments at March 31, 2013, are comprised of forward sales or purchases of foreign currencies (mainly US dollars, Canadian dollars, Japanese yen, and British pounds) for a net total equivalent value (sales minus purchases) of €1.6 million, intended to hedge existing positions.

On March 6, 2013, the company hedged its net estimated US dollar exposure for the second quarter of 2013 by purchasing dollar puts and euro calls, guaranteeing a parity of $1.35/€1, while fully benefiting from any dollar appreciation below this parity. At the date of publication of this report, the company has not hedged its US dollar exposure beyond June 30, 2013.

12. SENSITIVITY ANALYSIS

Sensitivity of Income from Operations to a Change in the 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 Currencies Exchange Rates

The company has based its 2013 scenarios on the February 1 parities of the currencies in which the Group generates its revenues, in particular $1.35 / €1. The parity at the date of this report is $1.31/€1.

In view of the estimated share of revenues and costs denominated in dollars or in currencies correlated with the dollar, a 1% rise in the euro against the dollar would mechanically entail a fall in FY 2013 revenues of around €0.8 million and of €0.4 million in income from operations. Conversely, a 1% fall in the euro would increase revenues and income from operations by the same amounts.

In addition to fluctuating against the dollar and against currencies strongly correlated with it, the euro also fluctuates against the other currencies. However, these variations are frequently heterogeneous both in direction (upward and downward) and in scale. However, the monetary policies of most of the major countries could lead to a more global appreciation of the euro against a very large number of currencies, as illustrated by exchange rate trends since the beginning of 2013.

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