MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS FOR THE FOURTH QUARTER AND FULL-YEAR OF 2012

Dear Shareholders,

We report below on Lectra Group's business activity and consolidated financial statements for the fourth quarter and full year ending December 31, 2012. Financial statements for fiscal year 2012 have been the subject of review by the Statutory Auditors.

To make the discussion of revenues and earnings as relevant as possible, detailed comparisons between 2012 and 2011 are based on 2011 exchange rates ("like-for-like") unless stated otherwise.

1. SUMMARY OF OPERATIONS FOR Q4 2012

With an average exchange rate of $1.30/€1, the U.S. dollar was up 4% compared with Q4 2011 ($1.35/€1). This change, and that of other currencies, mechanically increased revenues by €0.7 million (1%) and income from operations by €0.5 million (11%) for the quarter at actual exchange rates, compared with like-for-like figures.

Growth in Orders for New Software Licenses and CAD/CAM Equipment

There was no pick-up in the economy in Q4. Uncertainties actually increased, with the US elections and question marks over the resolution of the fiscal cliff, the continuing euro crisis, weakening Chinese growth, slowing output in Japan, etc.

Against this difficult background, sales activity finished the year dynamically. Orders for new software licenses and CAD/CAM equipment amounted to €20 million, surpassing the level for the first three quarters. These increased by 34% compared with Q4 2011 (when orders were affected by the accelerated deterioration of the economic environment, falling 34% compared with Q4 2010, to €14.7 million).

Orders for new software licenses were up 15% and 46% for CAD/CAM equipment.

Financial Results Hold up Well

Revenues totaled €51.1 million, down 4% relative to Q4 2011, and down 3% at actual exchange rates.

This decline stems from a 14% fall in revenues from new systems sales to €21.2 million. This was partly offset by the confirmation of faster growth in recurring revenues (€29.9 million), rising from 2% in the first half of the year to 4% in Q3 and in Q4. Revenues from recurring contracts (€17.3 million) rose by 7% and those from spare parts and consumables (€12.1 million) by 2%.

Income from operations amounted to €5.1 million. Like-for-like, it was down €3.0 million (–39%), while the operating margin decreased by 5.3 percentage points to 10%. At actual exchange rates, income

from operations was down €2.5 million (–33%) and the operating margin decreased by 4.5 percentage points.

Net income was €3.6 million, a decrease of €1.2 million (–26%) at actual exchange rates, compared with the Q4 2011 figure of €4.8 million.

Free cash flow was positive at €5.8 million (€1.4 million in Q4 2011).

2. SUMMARY OF EVENTS AND PERFORMANCE IN 2012

While all the experts were forecasting a difficult and unpredictable year, the company entered 2012 with totally different financial and operating fundamentals compared with the eve of 2008-2009.

Persistently Weak Macroeconomic Conditions Year-Long

2011 ended with a return to a situation of economic, financial, and monetary crisis, of unknown scale and duration.

In its February 9, 2012 financial report, the company had indicated that it expected the macroeconomic environment to remain as weak as in Q4 2011 for the first half of 2012 at least. The company had formulated two revenue and income hypotheses for the fiscal year, which were identical for the first half of the year, then diverged for the second half depending on economic conditions.

The first hypothesis assumed that economic conditions in the second half would return to their level of the first half of 2011. The second assumed that they would remain weak throughout the year.

Economic conditions showed signs of further worsening from the second quarter onward, due to persistent concerns over the sovereign debt of the United States and of certain European countries, as well as over the eurozone crisis and its global repercussions, and slower growth in certain emerging countries, China, Brazil and India in particular, and in developed countries. Elections in several countries, in particular in the United States, China and France, added to the uncertainty.

Financial Results Beat Company Expectations

Based on the assumption that business conditions would remain sluggish throughout the year, in its February 9, 2012 Report, the company considered that revenues from new systems sales could fall by around 24% compared with 2011. This would result in total revenues of approximately €190 million for the fiscal year. Income from operations would come to around €15 million, generating an operating margin of approximately 8%, and net income of approximately €10 million—nevertheless exceeding the company's pre-crisis performance. These figures were based on an average exchange rate of $1.30/€1, very close to that for the year ($1.29/€1).

As in prior years, the main uncertainty concerned the level of revenues from new systems sales, which depend heavily on the state of the economy. Moreover, the very strong rebound in sales activity together with the outstanding income from operations, net income and free cash flow achieved in 2011 constituted a high basis of comparison for 2012.

Ultimately, revenues from new systems were down 17%, which is less than the expected fall of 24%.

Revenues totaled €198.4 million and income from operations was €19.8 million, down respectively 7% and 43% compared with 2011.

An Operating Margin of 10%, Despite Reduced Activity and the Cost of Investments for the future

At actual exchange rates, income from operations decreased by €9.5 million (–32%).This fall comprises a €9 million decline in revenues from new systems sales, a €2.4 million decline for the natural increase in fixed overhead costs, and a €6.6 million increase in fixed overhead costs related to the company's transformation plan. These three impacts were partly offset by the favorable effect of

increased recurring revenues (€3 million), the improvement in gross profit margins (€2.5 million), and currency fluctuations (€3 million).

The operating margin was 10%, down 5.5 percentage points like-for-like and down 4.2 percentage points at actual exchange rates compared with the operating margin of 2011 (14.2%).

Investments for the future linked to the transformation plan have accounted for 3.3 percentage points in the reduction of the operating margin.

Net income was €13.6 million, representing a net margin of 6.9%, and a fall of 30% at actual exchange rates compared with 2011 (€19.5 million).

These figures were ahead of company expectations at the end of the first half of the year. This advance was still further increased in the third and fourth quarters, rising to €8.4 million for revenues, €4.8 million for income from operations, and €3.6 million for net income, at December 31. The operating margin was higher than expectations by 2 percentage points. This performance deserves special mention.

Free cash flow amounted to €11.5 million (€14.2 million in 2011). It would have come to €16.7 million if the French research tax credit for the year, reduced by the €0.6 million of the 2010 research tax credit used to offset income tax, had been received, exceeding net income by €3.1 million.

Comparison with 2007, the last pre-crisis year, which set the benchmark for subsequent years, illustrates the improvement in the company's operating ratios during the crisis years and shows the relevance of the strategic roadmap mapped out at the end of 2009, together with the strength of its business model and the soundness of its sales policy. At actual exchange rates, revenues fell by €18.1 million (–8%), due to the fall in revenues from new systems sales, while recurring revenues, after also having been impacted, exceeded their pre-crisis levels by 10%. Despite the fall in revenues, gross profit is back up at its 2007 level and 2007 income from operations before non-recurring items has been multiplied by 1.8. The operating margin is almost double its pre-crisis level (5.2% in 2007).

Orders from New Software Licenses and CAD/CAM Equipment Fall by Less than Expected

Even more than deteriorating macroeconomic conditions, the company emphasized at the beginning of the year that alternating good and bad news, the lack of visibility, and businesses' growing concerns so long as there are still no signs of a sustainable improvement in the economy, would continue to weigh heavily on their investment decisions.

Purchasing decisions remained on hold throughout the year.

Orders for new software licenses and CAD/CAM equipment (€76.2 million) were down 6% relative to 2011. Orders were down 6% for new software licenses and 7% for CAD/CAM equipment. This decline was smaller than the 17% fall expected by the company, and can be explained both by the fact that some firms have apparently adapted more rapidly to persistently weaker conditions, by the success of new versions of Lectra's flagship software and new generations of equipment, and by the company's sales policy concerning major customers.

The decline in orders stemmed primarily from the automotive market (–18%). In fashion and furniture, orders were up 3% and 11% respectively. These markets accounted for 37%, 48%, and 8% respectively of the total amount of orders. Orders in the other industries, which contribute 7% of the total, were down 16%.

Strong Growth in North America – Emerging Countries Remain Predominant

The situation remains uneven in geographic terms. Orders booked in North America increased by 25% —a remarkable performance—but were down by 2% in Europe, 8% in South America, and 29% in the Asia-Pacific region. These four regions accounted for 20%, 37% (including 6% for France), 7% and 29% respectively of total orders. Orders from the rest of the world (including Northern Africa, South Africa, Turkey, and the Middle East) increased by 37% and represent 7% of total Group orders.

Emerging countries, with orders down by 5%, remained predominant with 54% of total orders, whereas in developed countries, which account for 46% of total orders, orders fell by 8%.

Fall in Revenues from New Systems Sales Was Partly Offset by Growth in Recurring Revenues, Illustrating the Strength of the Company's Business Model

Revenues totaled €198.4 million, down 7% like-for-like, and down 4% at actual exchange rates, compared with 2011. They grew by 20% in 2010 then by 10% in 2011, following sharp falls in 2008 and 2009.

Revenues increased by 16% in North America, but fell 5% in Europe, 17% in South America, and 26% in the Asia-Pacific region. These four regions accounted for 21%, 47% (including 10% for France), 5% and 21% respectively of total revenues. Revenues from the rest of the world increased by 18%, and represent 6% of total Group revenues.

Revenues from new systems sales (€83.7 million) decreased by 17%, while recurring revenues (€114.7 million) increased by €3.4 million (+3%).

After falling 3% in 2010 and 1% in 2011, revenues from recurring contracts (€67.5 million) have now resumed their growth path, with a 5% increase in 2012. This is the outcome of the company's sales policy centered on its value proposition for customers, maximizing their return on investment from their installed base of Lectra solutions, and minimizing total cost of ownership.

Meanwhile, after rising very sharply in 2011, revenues from spare parts and consumables increased by only 1%, to €45.6 million, reflecting an aggregate fall in firms' production volumes, given the expanding installed base. These represent 23% of total Group revenues.

As a result, recurring revenues once again demonstrated their key role as an essential stabilizing factor and cushion for the company in a flagging economy, while revenues from new systems sales regained their position as Lectra's growth driver in 2010 and 2011.

Growth in Order Backlog

The order backlog at December 31, 2012 increased by €1.6 million relative to January 1, to €12.1 million. The order backlog comprised €10.3 million for shipment in Q1 2013 and €1.8 million over the rest of the year.

Acceleration in the Company's Transformation Plan: Prioritizing Long-Term Strategy

The decision to keep Lectra's R&D and production in France, made in 2005 after deep consideration, has enabled the company to meet the three challenges it faced, thanks to innovation. Those challenges were: to compete with the low-cost products of its international competitors that had relocated to China and those of its Asian competitors; to increase its competitiveness even in the event of a persistently weak dollar/euro exchange rate; and to boost its margins. The decision has also enabled Lectra to protect its industrial property.

Rising wages and social charges in China, along with inflation and the appreciating yuan compared with the dollar as well as the euro, have negatively impacted production costs since the time of the decision. However, strong growth in Lectra's gross profit margins on each product line, CAD/CAM equipment especially, despite tougher competition due to the crisis, has pushed the aggregate gross profit margin to a historical high, confirming once again, in 2012, the competitiveness and high value added of its offer.

Formulated at the end of 2009 to enable the company to emerge strengthened from the crisis and prepare for the new post-crisis challenges, the strategic roadmap for 2010-2012 amply demonstrated its relevance in 2010 and again in 2011, when the company posted record financial performance, as well as in 2012, when financial results held up well. The roadmap further proved the company's resilience.

Despite the prevailing economic conditions, the company decided at the end of 2011 to accelerate its transformation over the period to 2015, prioritizing long-term strategy over short-term profitability (see chapter 8 below).

In 2012, the plan accounted for nearly 75% of the total increase in fixed overhead costs.

Lectra also spends heavily on training for its personnel, and this has been further increased in response to new recruitments. The budget has risen significantly since 2010, representing an investment of €3.2 million in 2012, or 4% of the company's total payroll.

A Very Strong Balance Sheet

Whereas the company's net financial debt was €47.8 million at December 31, 2009, the net cash position was positive at €14.2 million at December 31, 2012, an increase of €5.6 million compared with December 31, 2011. This was achieved thanks to free cash flow of €11.5 million in 2012, bringing cumulative free cash flow before non-recurring items generated in the three-year period 2010-2012 to €56.7 million, and to €70.1 million after non-recurring items. This therefore represents an improvement of €62 million in the net cash position in three years, after payment of dividends of €5.2 million in 2011 and of €6.3 million in 2012. No dividend had been paid from 2007 to 2009.

At the same time, shareholders' equity has more than doubled to €65.3 million, compared with the December 31, 2009 figure of €24.7 million.

Finally, restated for the (French) research tax credit not received and not offset against a tax charge, the working capital requirement was negative at €13.4 million—a key feature of the company's business model *(see note 7 to the financial statements in this report)*.

Major Technological Advances

Investment in R&D represents a cumulative €86.2 million over the past five years, fully expensed.

New versions of two software for the fashion industry were launched in 2012: in May, *Kaledo V3*, Lectra's textile design suite for designers, for creating prints, knits, and wovens. In June, *Lectra Fashion PLM V3*, Lectra's collection lifecycle management solution, which provides the visibility needed to make strategic business decisions and the in-depth value chain control to execute them quickly, securely and effectively. September 2011 saw the launch of the *Modaris V7* release of its flagship software, a major breakthrough for the fashion industry, putting 3D technology at the heart of apparel creation and development.

In addition, the company has renewed practically its entire CAD/CAM equipment offer. In April 2012, the company launched its *Versalis* range of automated leather cutters for the furniture industry, after the range aimed at the automotive industry and the leather goods industry in 2011.

On July 2, 2012, it launched its new generation of *Vector* automated cutters for fabric as well as composite materials, which represents a major advance and proved an immediate success. The company has dedicated exceptional resources to its development, giving birth to a complete, integrated and unique offer enabling customers to benefit from better control and optimization of their production, which in turn increases their competitiveness and profitability. Recognized as the best performing solution on the market, the previous generation of *Vector*, launched in February 2007, remained without equal since then. With more than 1,600 cutters sold, it has enabled Lectra to increase its market share in all of its sectors of activity and to strengthen its leadership in the fashion and automotive industries.

3. CONSOLIDATED FINANCIAL STATEMENTS FOR 2012

With an average exchange rate of $1.29/€1, the U.S. dollar was up 8% compared with 2011 ($1.39/€1). This change, and that of other currencies, mechanically increased revenues by €6.2 million (3%) and income from operations by €3 million (18%) at actual exchange rates, compared with like-for-like figures.

Revenues

Revenues for 2012 totaled €198.4 million, down 7% like-for-like, and down 4% at actual exchange rates compared with 2011.

Revenues from New Systems Sales

Revenues from new software licenses (€23.4 million) were down 10% and contributed 12% of total revenues, as in 2011.

CAD/CAM equipment revenues were down 21% to €52.2 million and accounted for 26% of total revenues (compared with 31% in 2011).

Revenues from training and consulting were down 14% to €7.8 million.

Overall, revenues from new systems sales were down 17% to €83.7 million and represented 42% of total revenues (compared with 47% in 2011).

Revenues from Recurring Contracts and Spare Parts and Consumables

Recurring revenues (€114.7 million) increased by €3.4 million (+3%). They accounted for 58% of total revenues (compared with 53% in 2011).

Revenues from recurring contracts—which represented 59% of recurring revenues and 34% of total revenues—totaled €67.5 million, a 5% increase.

Revenues from recurring contracts break down as follows:

- revenues from software evolution contracts (€31.9 million), up 5% compared with 2011 and representing 16% of total revenues;
- revenues from CAD/CAM equipment maintenance contracts and from subscription contracts to the Group's five International Call Centers (€35.5 million), which increased by 5% and represented 18% of total revenues.

Meanwhile, revenues from spare parts and consumables increased 1% to €45.6 million and represent 23% of total revenues.

Gross Profit Margin

The overall gross profit margin was 73.1%. Like-for-like, it increased by 2.4 percentage points relative to 2011 (70.1%).

This increase stems from a combination of changes in the product mix—with a rise in the share of higher-margin recurring contracts in total revenues—and increased gross profit margins on all product lines, for CAD/CAM equipment especially, despite heavy pressure from competitors, further heightened by the crisis.

This excellent performance is further evidence of the competitiveness and high added value of Lectra's offer.

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 €125.1 million, up €7.5 million (+7%) compared with 2011. They break down as follows:

- €112.5 million in fixed overhead costs, up €9 million (+9%);
- €12.6 million in variable costs, down €1.4 million (–11%).

The increase in fixed overhead costs reflects in particular the impact of investments for the future made under the company's transformation plan, entirely expensed in the period. The decline in variable fixed overheads is mainly accounted for by weak sales.

R&D costs are fully expensed in the period and included in fixed overhead costs. Before deducting the research tax credit applicable in France and certain R&D program grants, R&D costs amounted to €17.4 million and represented 8.7% of revenues (compared with €18.2 million and 8.9% in 2011). Net R&D costs after deduction of the French research tax credit and grants amounted to €11.5 million (€11.5 million in 2011).

Change in Method of Accounting for Employee Pension Plans

The Group has decided to modify the method used to account for actuarial gains and losses on defined benefit pension plans, under the current IAS 19—Employee Benefits, with regard to application of the revised IAS 19 standard in 2013, under which the option to recognize actuarial gains and losses in equity will become compulsory. Until December 31, 2011, actuarial gains and losses were recognized in full in the consolidated income statement. With effect from January 1, 2012, the Group has decided to recognize all actuarial gains and losses in the consolidated statement of comprehensive income. The Q4 2011 and full-year 2011 accounts were consequently revised. The impact of this decision is described in note 2 to the financial statements in this report.

Income from Operations and Net Income

Income from operations was €19.8 million. Like-for-like, it decreased by €12.5 million (–43%) relative to 2011 (€29.3 million). At actual exchange rates, it decreased by €9.5 million (–32%).

The operating margin was 10%, down 5.5 percentage points like-for-like and down 4.2 percentage points at actual exchange rates compared with 2011 (14.2%).

Financial income and expenses represent a net charge of €1 million, down relative to 2011 (€1.5 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 a negative €0.3 million.

After an income tax charge of €4.9 million, net income was €13.6 million (€19.5 million in 2011), representing a fall of 30% at actual exchange rates.

Net earnings per share on basic capital and on diluted capital were €0.47 (€0.68 and €0.66 per share respectively in 2011).

Free Cash Flow

Free cash flow amounted to €11.5 million (€14.2 million in 2011). This figure results from cash flow provided by operating activities of €16.3 million (including an increase in working capital requirement of €4.9 million), and cash flow used in investing activities of €4.8 million *(see note 7 of the notes to this report)*.

There were no non-recurring items in the period, as compared with a €1 million non-recurring disbursement in 2011.

The (French) research tax credit for the year (€5.8 million) was accounted for but not received.

Shareholders' Equity

At December 31, 2012, consolidated shareholders' equity amounted to €65.3 million (€58.7 million at December 31, 2011) after payment of the €6.3 million dividend declared in respect of fiscal 2011, as decided by the Ordinary Shareholders' Meeting of April 27, 2012.

This figure is calculated after deduction of treasury shares held solely within the Liquidity Agreement. Treasury shares are carried at cost, ie €0.4 million (versus €0.7 million at December 31, 2011).

Cash and cash equivalents totaled €21 million (€26.3 million at December 31, 2011).

Financial borrowings totaled €6.7 million (€17.7 million at December 31, 2011), of which:

- €5.4 million corresponds to the medium-term bank loan put in place to finance the public stock buyback tender offer for 20% of the company's share capital, carried out in May 2007. In light of early repayment of €10 million at the company's initiative on December 31, 2012, the balance outstanding of the loan will be repaid in a single installment on December 31, 2013. Owing to the expiration of the interest-rate swaps on December 31, 2012, the effective interest rate will fall to 1.14% in 2013 (compared with 3.91% in 2012), assuming the 3-month Euribor remains identical to the rate at December 31, 2012 *(see note 11.3 of the notes to this report)*.
- €1.3 million corresponds to interest-free government advances to help finance R&D programs.

Consequently, the net cash position was positive at €14.2 million at December 31, 2012 (€8.6 million at December 31, 2011).

The working capital requirement at December 31, 2012, amounted to €2.3 million. It comprised a receivable of €15.7 million on the French tax administration (*Trésor Public*) corresponding to the research tax credit of 2010, 2011 and 2012, 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 €13.4 million.

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

4. APPROPRIATION OF EARNINGS

Dividend Maintained at €0.22 per Share

In light of the company's excellent financial performance in 2010, and following the Board of Directors' recommendation, the company resumed in 2011 its policy of dividend payments and declared a dividend of €0.18 per share in respect of fiscal 2010, which has been increased to €0.22 per share in respect of fiscal 2011.

Confirming its confidence in the company's future prospects, despite the persistently difficult economic conditions, the Board of Directors will propose to declare a dividend of €0.22 per share, in respect of fiscal 2012, at the upcoming Shareholders' Meeting of April 30, 2013. The gross dividend represents a payout ratio of 47% and a yield of 4.65% based on the December 31, 2012, closing share price.

Subject to approval by the shareholders, the dividend will be made payable on May 10, 2013.

5. SHARE CAPITAL – OWNERSHIP – SHARE PRICE PERFORMANCE

Change in Share Capital

In accordance with the first resolution of the Extraordinary Shareholders' Meeting of April 27, 2012, the par value of the shares making up the company's share capital has been raised from €0.97 to €1.00. Consequently, the share capital at December 31, 2012 totaled €28,948,315, divided into 28,948,315 shares with a par value of €1.00. Share capital was €28,036,501.70, divided into 28,903,610 shares with a par value of €0.97, at December 31, 2011.

Share capital has increased by 44,705 shares since January 1, 2012, resulting from the exercise of stock options (an increase of €0.2 million of share capital together with total share premium).

On February 17, 2012, Schroder Investment Management Ltd (UK), on behalf of investment funds managed by it, reported that it had increased its shareholding above the threshold of 5% of the company's capital stock, then above the threshold of 5% of voting rights on February 21, and that at that date it held 5.12% of the capital stock and 5.04 % of the voting rights.

On December 5, 2012, Financière de l'Echiquier (France), on behalf of investment funds managed by it, reported that it had decreased its shareholding below the threshold of 10% of voting rights on December 3, and below the threshold of 10% of the company's capital stock on December 4, and that at that date it held 9.90% of the capital stock and 9.75% of the voting rights.

Since the close of fiscal 2012, Delta Lloyd, on behalf of investment funds managed by it, reported that it had increased its shareholding on January 7, 2013 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.

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 38.4% of the capital and 38% of the voting rights;
- Delta Lloyd Asset Management N.V. (Netherlands), which holds more than 15% (but less than 20%) of the capital and more than 10% (but less than 15%) 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 December 31, 2012, the company held 0.3% of its own shares in treasury shares, solely within the framework of the Liquidity Agreement, contracted with Exane BNP Paribas.

Share Price Performance and Trading Volumes

The company's share price at December 31, 2012, was €4.73, up 2.8% compared with December 31, 2011 (€4.60). The share price recorded in 2012 a low of €4.04 on June 15 and a high of €5.42 on February 10. The CAC 40 index and the CAC Mid & Small index rose 13.9% and 20.5% respectively over the same period.

According to Euronext statistics, the number of shares traded in 2012 (4.2 million) was down 33%, and trading volumes (€19.7 million) were down 45% compared with 2011.

6. SIGNIFICANT POST-CLOSING EVENTS

The Madrid Court of Appeal Upholds the Enforcement in Spain of the October 2009 Award Rendered Against Induyco by the International Arbitral Tribunal

In a decision issued on January 28, 2013, the Madrid Court of Appeal upheld the judgment of the Madrid Court of First Instance of June 27, 2011, recognizing the validity and enforceability in Spain of the arbitral award rendered against Induyco in October 2009 by an International Arbitral Tribunal seated in London.

After Induyco refused voluntarily to pay the outstanding amounts still due to Lectra, Lectra commenced an action of *exequatur* before the Madrid Court of First Instance in December 2010, in order to enforce in Spain the arbitral award and recover the remaining amounts owed by Induyco (€11.1 million out of €26.2 million, as at December 31, 2012). The Madrid Court of First Instance had confirmed the validity and enforceability of the award, and the decision rendered by the Madrid Court of Appeal confirms this judgment. With this decision, the Madrid Court of Appeal has, in turn, rejected Induyco's challenge to Lectra's claim for *exequatur*.

Lectra is determined to pursue the execution of the award until the payment of the full amount due to it.

The January 28, 2013, decision does not modify the accounting of the award in the company's financial statements. The company has only recorded the €15.1 million received in 2010 and conclusively non-refundable. As Induyco was merged into El Corte Inglés on December 18, 2012 and immediately dissolved, El Corte Ingles has now replaced Induyco as the current debtor of Lectra for the balance (€11.1 million) still due which will only be recorded in the accounts upon its receipt.

As all of the costs incurred by Lectra have already been paid, the execution of the *exequatur* decision will result in a cash inflow equal to the balance of the award still owed by El Corte Inglés *(see note 9 of the notes to this report).*

No other significant event has occurred since December 31, 2012.

7. FINANCIAL CALENDAR

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

The quarterly financial results for 2013 will be published on April 29, July 25, and October 29, 2013, respectively, after close of trading on NYSE Euronext. The full-year 2013 results will be published on February 11, 2014.

8. BUSINESS TRENDS AND OUTLOOK

Economic conditions have shown signs of further worsening from the second quarter of 2012 onward. These conditions are likely to remain in 2013—which also looks both difficult and unpredictable—and perhaps even beyond, given the downward revisions of growth forecasts for 2013 and 2014 for most developed and emerging countries.

Consequently, corporations 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.

Faced with slower growth, most major countries—particularly the United States, China, and Japan—have already eased or could ease their monetary policy. Besides the risk to the global economy that may result, such policies could result in a lasting rise in the euro.

A New Strategic Roadmap for 2013-2015

Formulated at the end of 2009 with a view to emerging strengthened from the crisis, to prepare for the new post-crisis challenges and seize resulting opportunities, the 2010-2012 strategic roadmap has fully demonstrated its efficacy, the strength of Lectra's business model, and once again demonstrated the company's resilience. On the strength of its success, at the end of 2012 the company framed a new roadmap for 2013-2015 to enable it to fully realize its growth potential.

Continuing to focus on long-term strategy, its overriding objectives remain unchanged: accentuate Lectra's technological leadership and the high added value of its product and service offer; strengthen its competitive position and its long-term relationships with customers; accelerate organic growth; boost profitability by regularly increasing operating margin; and generate free cash flow in excess of net income (assuming that the French research tax credit and new tax credit for encouraging competitiveness and jobs recognized in the year is received or used) serving to finance its future growth from its own cash.

Building for the Future in the New Economic Order

Eight economies (Brazil, Russia, India, China, South Korea, Indonesia, Mexico and Turkey) are expected to account for half of global growth in the present decade. Following China's example, their growth models will increasingly be driven by their domestic markets, greater value added and the search by companies for higher margins. Lectra is well armed to turn this new economic order into a vehicle for dynamic growth. The other half of global growth will still take place in developed countries, where Lectra already has a significant market share.

From this dual-growth perspective, the company will benefit from its premium positioning, sustained by the new generations of all of its solutions, enhanced technological leadership, high performing services, the expertise of its staff in their customers' businesses, and its growing importance as a supplier to major global customers as it supports them in their drive for competitiveness, primarily targeting the group's top 3,000 customers (15% of the total) and providing dedicated resources for the top 300. Lectra is the only player in its industry supplying a complete high value added offer across all its geographic markets and market sectors, giving its customers a unique long-term competitive advantage.

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

Deliberately Cautious Macroeconomic Assumptions

This roadmap assumes that macroeconomic conditions will be as weak as in 2012, consistent with known growth forecasts for 2013 and 2014 at the date of this report, while taking into account a rise in business confidence. After all, businesses will need to adapt and build for their own futures within these conditions, gradually encouraging them to resume their investment decisions.

As the very strong rebound in orders in 2010 and the first half of 2011 showed, companies in the different geographic markets and market sectors served by the company will need to accelerate their investment plans or make good the investments they have postponed over several years and acquire the technologies necessary to boost their competitiveness and their growth. The crisis and its further developments in 2012 have amplified the challenges they face.

Clear And Ambitious Financial Goals

The main goals contained in the 2013-2015 strategic roadmap are (like-for-like variations):

- a compound annual revenue growth rate equal to or greater than 10%;
- a 15% operating margin (excluding non-recurring items) in 2015;
- to more than double income from operations (excluding non-recurring items) and net income in three years.

These goals go together with a determination to maintain a tight grip on key operating ratios, preserving a security ratio (ie the percentage of annual fixed overhead costs covered by gross profit on recurring revenues) equal to or greater than 75%.

They are founded on organic growth and are based on the exchange rates of February 1, 2013, also retained for the 2013 scenarios, in particular $1.35/€1.

If these goals were met, income from operations excluding non-recurring items would be multiplied by nearly 4 in 2015 relative to 2007, the last pre-crisis year, and the operating margin (excluding non-recurring items) would rise by nearly 10 percentage points, on an actual basis.

Given the uncertainties at a time when forecasting is difficult, it may be necessary to revise these goals in the course of the next three years.

It should be noted that the French government has pledged to maintain the research tax credit unchanged for the duration of the incoming president's five-year term.

Far-Reaching Company Transformation Plan and Investments for the Future

Faced with the scale of the economic crisis in 2008-2009, the company reduced its fixed overhead costs by 20%, bringing them down from €124 million in 2007 to €100 million in 2010. Its roadmap called for a second transformation phase in order to build its new post-crisis structure.

Innovation, human capital united around a strong corporate culture built on core values, uncompromised ethics in conducting business, and proximity to customers, continue to drive Lectra's leadership. On the strength of its results, the company has therefore decided to give precedence to its long-term strategy rather than to short-term profitability, by devoting the requisite financial resources to this goal.

This three-point plan will cover the period to 2015, comprising:

- 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 bringing the total number to 260;
- accelerated investment in marketing.

Over the period, the transformation will entail more than 300 hirings overall, 110 of which have been made already, in 2012. If the recruitment program is executed in full, Lectra's workforce should rise by around 200 to 1,540 by the end of 2015. This is equivalent to the pre-crisis level of 1,551 in 2007, but with resources reallocated to core strategic activities and the most promising geographic markets and market sectors, operating more efficiently, with enhanced skills and improved performance.

These investments for the future will represent a cumulative €50 million over the period 2012-2015, fully expensed, while their benefits will only be felt progressively.

Fixed overhead costs will continue to be limited to around €130 million in 2015, versus €102 million in 2011, before the launch of the transformation plan.

Adjusting for inflation, the level of fixed overhead costs in 2015 would be below that of 2007.

Fully Internally Funded Development

The company's annual free cash flow should continue to exceed net income (assuming utilization or receipt of the research tax credit and new tax credit for encouraging competitiveness and jobs applicable in France), enabling it to pursue its policy of paying dividends to shareholders while financing its future development.

Its goal is to be free of all financial debt once the 2007 medium-term loan has been repaid out of cash available, at the end of 2013.

Lectra's receipt of the €11.1 million still owed it in the litigation against Induyco will further bolster its cash position.

The company will pursue its dividend-payment policy. Barring further changes to the taxation of dividends in France, the total dividend is expected to represent a payout ratio of around 33% of net income (excluding non-recurring items), the remaining 67% serving to finance the company's growth internally. Exceptionally, this ratio could rise to or exceed 50% until the investments for the future have produced their impact in full, insofar as they are already taken into account in the computation of net income and free cash flow.

Lastly, besides the Liquidity Agreement, the company will not implement any share buyback plan. It will preserve its cash in order to finance future targeted acquisitions in the coming years, should the right opportunities arise on favorable terms, while its organic growth continues to be financed internally thanks to its business model.

2013 Outlook

The weak level of orders in 2012 may continue throughout part or all of the year, until companies truly resume their investment activity.

Consequently, visibility remains limited, calling for continuing caution.

High Sensitivity to Exchange Rates

The appreciation of the euro since the beginning of 2013 against the dollar and several other currencies has led the company to base its 2013 scenarios on the exchange rates of February 1, 2013, notably $1.35/€1. Exchange rate changes from the 2012 averages have the effect of reducing 2012 revenues and income from operations, converted to 2013 retained exchange rates, by €6.2 million and €3.1 million respectively, to €192.2 million and €16.7 million; the operating margin falls 1.3 percentage point to 8.7%.

At the date of this report, the company has not hedged its currency exposure for 2013.

Sensitivity to fluctuations in the value of the dollar and other currencies is covered in note 13 to the financial statements in this report.

Key Financial Features

Key financial features of the 2013 plan are (like-for-like variations):

- keeping gross profit margins on the different product lines at their 2012 levels;
- an increase of around 4% to 5% in recurring revenues. Recurring contracts are expected to increase by around 3% to 4%, and sales of spare parts and consumables by 4% to 6%, given the increase in the installed base and the activity and output at customer firms;
- fixed overhead costs of around €120 million, up €9.7 million (+8.7%) relative to 2012. Of this €120 million, €12.3 million, or 10% of this increase, is attributable to the company's transformation plan;
- a security ratio of 76%.

As in previous years, the main uncertainty concerns the level of revenues from new systems sales.

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 expects total revenues of approximately €203 million (+6% vs. 2012) for the fiscal year, 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's goal is 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.

Free cash flow should exceed net income less the (French) research tax credit and the new tax credit for encouraging competitiveness and jobs accounted for in 2013 (around €6.8 million), capital expenditures (besides the investments for the future and R&D expenditures being expensed in full) being limited to around €5–€7 million.

Limited Impact of New French Tax Measures

It is pointed out that the net impact of the new tax measures enacted by the new French government in 2012 will be slightly positive (€0.1 million): new tax charges, including the tax on dividends paid, are expected to come to around €0.4 million and the tax credit for encouraging competitiveness and jobs to around €0.5 million.

The Company is Confident in its Medium-Term Growth Prospects

The company entered 2013 with a very strong balance sheet and solid operating fundamentals.

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.

The Board of Directors

February 12, 2013

Company Certification of the Fourth Quarter and Fiscal Year 2012 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 report on operations for the fourth quarter and for the fiscal year 2012 presents a true and sincere view of the significant events that occurred during the year and their impact on the financial statements, and a description of the main risks and uncertainties faced by the company.

Paris, February 12, 2013

Daniel Harari	Jérôme Viala
Chief Executive Officer	Chief Financial Officer

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS As at December 31 (in thousands of euros)	2012	2011
Goodwill	31,132	31,309
Other intangible assets	4,273	4,742
Property, plant and equipment	12,959	11,589
Non-current financial assets	1,871	1,899
Deferred tax assets	8,631	9,543
Total non-current assets	58,866	59,081
Inventories	22,756	21,112
Trade accounts receivable	45,149	44,533
Other current assets	22,108	17,187
Cash and cash equivalents	20,966	26,320
Total current assets	110,979	109,152
Total assets	169,845	168,233

EQUITY AND LIABILITIES (in thousands of euros)	2012	2011
Share capital	28,948	28,037
Share premium	2,600	2,487
Treasury shares	(380)	(722)
Currency translation adjustment	(8,840)	(8,816)
Retained earnings and net income	42,995	37,700
Total equity	65,323	58,686
Retirement benefit obligations	6,393	4,512
Borrowings, non-current portion	892	16,684
Total non-current liabilities	7,285	21,196
Trade and other current payables	44,265	46,696
Deferred revenues	41,911	35,722
Current income tax liabilities	1,545	1,776
Borrowings, current portion	5,834	1,005
Provisions for other liabilities and charges	3,682	3,152
Total current liabilities	97,237	88,351
Total equity and liabilities	169,845	168,233

CONSOLIDATED INCOME STATEMENT

(in thousands of euros)	Three months ended December 31, 2012	Twelve months ended December 31, 2012	Three months ended December 31, 2011 [1]	Twelve months ended December 31, 2011 [1]
Revenues	51,107	198,436	52,608	205,923
Cost of goods sold	(13,865)	(53,475)	(15,678)	(61,613)
Gross profit	37,242	144,961	36,930	144,310
Research and development	(3,015)	(11,536)	(2,973)	(11,463)
Selling, general and administrative expenses	(29,111)	(113,611)	(26,341)	(103,544)
Income (loss) from operations	5,116	19,814	7,616	29,303
Financial income	59	318	263	656
Financial expenses	(363)	(1,336)	(483)	(2,204)
Foreign exchange income (loss)	(112)	(287)	(177)	(165)
Income (loss) before tax	4,700	18,509	7,219	27,590
Income tax	(1,106)	(4,865)	(2,380)	(8,134)
Net income (loss)	3,594	13,644	4,839	19,456

(in euros)				
Earnings per share				
- basic	0.12	0.47	0.17	0.68
- diluted	0.12	0.47	0.16	0.66
Shares used in calculating earnings per share				
- basic	28,853,624	28,806,716	28,793,939	28,709,129
- diluted	29,341,919	29,280,673	29,332,311	29,368,796

STATEMENT OF COMPREHENSIVE INCOME

(in thousands of euros)	Three months ended December 31, 2012	Twelve months ended December 31, 2012	Three months ended December 31, 2011 [1]	Twelve months ended December 31, 2011 [1]
Net income (loss)	3,594	13,644	4,839	19,456
Currency translation adjustment	(186)	(24)	129	61
Actuarial gains (losses) on defined benefit pension liabilities	(1,175)	(2,096)	(381)	(381)
Effective portion of the change in fair value of interest-rate swaps	59	326	140	837
Tax effect on the comprehensive income items	323	465	73	(162)
Comprehensive income (loss)	2,615	12,315	4,800	19,811

(1) As required in the norm IAS 8, the impacts of the change in the method of recognition of actuarial gains and losses arising from the measurement of defined benefit pensions in the statement of comprehensive income, as explained in the note 2 "Summary of accounting rules and methods" hereafter, are restated in the consolidated income statement and in the statement of comprehensive income at December 31, 2011.

CONSOLIDATED STATEMENT OF CASH FLOWS

Twelve months ended (in thousands of euros)	2012	2011 [1]
I - OPERATING ACTIVITIES		
Net income (loss)	13,644	19,456
Depreciation and amortization	6,458	4,787
Non-cash operating expenses	(19)	(40)
Loss (profit) on sale of fixed assets	(39)	(9)
Changes in deferred income taxes, net value	1,213	3,373
Changes in inventories	(1,974)	(1,646)
Changes in trade accounts receivable	3,711	(1,301)
Changes in other current assets and liabilities	(6,674)	(6,908)
Net cash provided by (used in) operating activities	16,320	17,712
II - INVESTING ACTIVITIES		
Purchases of intangible assets	(1,278)	(906)
Purchases of property, plant and equipment	(3,786)	(2,837)
Proceeds from sales of intangible assets and property, plant and equipment	169	159
Purchases of financial assets	(861)	(1,134)
Proceeds from sales of financial assets	973	1,200
Net cash provided by (used in) investing activities	(4,783)	(3,518)
III - FINANCING ACTIVITIES		
Proceeds from issuance of ordinary shares	156	1,841
Dividends paid	(6,330)	(5,164)
Purchases of treasury shares	(537)	(1,017)
Sales of treasury shares	772	1,049
Proceeds from long term and short term borrowings	-	-
Repayments of long term and short term borrowings	(10,934)	(14,931)
Net cash provided by (used in) financing activities	(16,873)	(18,222)
Increase (decrease) in cash and cash equivalents	(5,336)	(4,028)
Cash and cash equivalents at the opening	26,320	30,174
Increase (decrease) in cash and cash equivalents	(5,336)	(4,028)
Effect of the consolidation of Lectra Morocco	137	-
Effect of changes in foreign exchange rates	(155)	174
Cash and cash equivalents at closing	20,966	26,320
Free cash flow before non-recurring items	11,537	15,181
Non-recurring items of the free cash flow	-	(987)
Free cash flow	11,537	14,194
Income tax paid (reimbursed)	3,342	254
Interest paid	626	1,487

(1) As required in IAS 8, the impacts of the change in the method of recognition of actuarial gains and losses arising from the measurement of defined benefit pensions in the statement of comprehensive income, as explained in the note 2 “Summary of accounting rules and methods” hereafter, are restated in the statement of consolidated cash flows at December 31, 2011.

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 adjustment	Retained earnings and net income	Equity
	Number of shares	Par value per share	Total par value					
Balances at January 1, 2011	28,499,014	0.97	27,644	1,039	(386)	(8,877)	22,612	42,032
Net income (loss) [1]							19,456	19,456
Other comprehensive income (loss) [1]						61	294	355
Comprehensive income (loss)						61	19,750	19,811
Exercised stock options	404,596	0.97	392	1,449				1,841
Fair value of stock options							257	257
Sale (purchase) of treasury shares					(336)			(336)
Profit (loss) on treasury shares							245	245
Dividends paid							(5,164)	(5,164)
Balances at December 31, 2011	28,903,610	0.97	28,037	2,487	(722)	(8,816)	37,700	58,686
Net income (loss)							13,644	13,644
Other comprehensive income (loss)						(24)	(1,305)	(1,329)
Comprehensive income (loss)						(24)	12,339	12,315
Increase of par value per share		0.03	868				(868)	0
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)	42,995	65,323

(1) As required in IAS 8, the impacts of the change in the method of recognition of actuarial gains and losses arising from the measurement of defined benefit pensions in the statement of comprehensive income, as explained in the note 2 “Summary of accounting rules and methods” hereafter, are restated in the consolidated statement of changes in equity at December 31, 2011.

NOTES TO THE Q4 2012 AND FY 2012 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 related services dedicated to large-scale users of textiles, leather and industrial fabrics. 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 turbines.

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 its 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 Center 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, and related services), 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 other statistically recurring revenues generated by the installed base (sales of spare parts and consumables, and per-call maintenance and support interventions). 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 consolidated financial statements at December 31, 2012 have been prepared in accordance with the same rules and methods as those applied in the preparation of the 2011 financial statements, with the exception of the point presented below concerning recognition of defined benefit pension liabilities. They have been prepared under the responsibility of the Board of Directors that reviewed them at its meeting of February 12, 2013. Audit procedures have been applied to the consolidated financial statements. The statutory auditors' certification report will be issued after the Board of Directors meeting on March 5, 2013, which will approve the notes to the consolidated financial statements. The Q4 financial statements have not been reviewed separately.

The standards and interpretations adopted by the European Union as of January 1, 2012 had no impact on the Group's financial statements, ie:

- Amendment to IFRS 7 Disclosures – Transfer of financial assets.

The Group has not adopted, before they became mandatory, any standards, amendments or interpretations whose application is not required for fiscal years starting January 1, 2012, in particular:

- Amendment to IAS 19 Employee benefits: application of this amendment is mandatory for fiscal years started January 1, 2013. The only expected impact of application of this amendment concerns accounting for past service costs. At present these are amortized over the expected duration of the obligation. They will henceforward be recognized in full in the income statement with effect from January 1, 2013. Retrospective application of this amendment will lead the Group to restate prior published periods, and to show a reduction of €479,000 in 2012 restated consolidated shareholders' equity, at the date of publication of its 2013 financial statements.

Comparisons identified as "like-for-like" correspond to 2012 figures restated at 2011 exchange rates, in comparison with actual data for 2011.

Change of Accounting Method—Recognition of Actuarial Gains and Losses on Benefit Pension Liabilities in the Statement of Comprehensive Income

The Group has decided to modify the method used to account for actuarial gains and losses on defined benefit pension plans, under the current IAS 19—Employee Benefits.

Until December 31, 2011, actuarial gains and losses were recognized in full in the consolidated income statement. With effect from January 1, 2012, the Group has decided to recognize all actuarial gains and losses in the consolidated statement of comprehensive income. This change of accounting method was decided on preparatory to application of the revised IAS 19 standard in 2013, under which this option to recognize actuarial gains and losses in equity will become compulsory. The Group considers that this change of method will make the consolidated financial statements more relevant, thereby eliminating the impact of the volatility of actuarial assumptions on the computation of defined benefit pension liabilities in the consolidated income statement.

Consistent with IAS 8—Accounting policies, changes in accounting estimates and errors, this change of method has been applied retroactively and the financial statements for 2011 have therefore been restated as follows:

CONSOLIDATED INCOME STATEMENT

Twelve months ended December 31	2011 published	2011 restated
Revenues	205,923	205,923
Cost of goods sold	(61,613)	(61,613)
Gross profit	144,310	144,310
Research and development	(11,463)	(11,463)
Selling, general and administrative expenses	(103,925)	(103,544)
Income (loss) from operations	28,922	29,303
Income (loss) before tax	27,209	27,590
Income tax	(8,012)	(8,134)
Net income (loss)	19,197	19,456

STATEMENT OF COMPREHENSIVE INCOME

Twelve months ended December 31	2011 published	2011 restated
Net income (loss)	19,197	19,456
Currency translation adjustment	61	61
Actuarial gains (losses) on defined benefit pension liabilities	-	(381)
Effective portion of the change in fair value of interest-rate swaps	837	837
Tax effect on the comprehensive income items	(284)	(162)
Comprehensive income (loss)	19,811	19,811

Total actuarial losses on pension liabilities for 2011, amounting to €381,000 and recognized in the published 2011 financial statements in “Selling, General and Administrative Expenses”, are shown after restatement on a specific new line titled “Actuarial gains (losses) on defined benefit pension liabilities” in the consolidated statement of comprehensive income. The corresponding tax charge of €122,000, recognized in “Income tax” in the published 2011 financial statements, has been reclassified in “Tax effect on the comprehensive income items” in the statement of comprehensive income. In light of these items, this restatement has increased net income by €259,000, comprehensive income and consolidated equity remaining unchanged at December 31, 2011.

Because actuarial gains and losses on defined benefit pension liabilities are calculated at year-end only, this restatement concerns only the Q4 2011 and full-year 2011 financial statements.

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 equipment sold, and a share of depreciation of the manufacturing facilities.

Cost of goods sold does not include salaries and expenses associated with service revenues, which are included under “Selling, General and Administrative Expenses”.

Research and Development

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)* 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 clients. 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 clients; 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 December 31, 2012, the Group's scope of consolidation comprised Lectra SA together with 27 fully-consolidated companies.

A subsidiary of Lectra SA, Lectra Maroc SARL, which was not until then included in the Group's scope of consolidation, was fully consolidated for the first time on January 1, 2012. The impact on the Group financial statements for the fiscal year 2012 of this first-time consolidation is not material.

There were no other changes in the scope of consolidation in 2012.

Four sales and service subsidiaries are not consolidated, their revenues being immaterial both separately and in the aggregate. At December 31, 2012, their combined revenues totaled €0.8 million, and their combined assets in their statement of financial position totaled €1.5 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 December 31, 2012.

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

4.1 Q4 2012

	Three Months Ended December 31				
	2012		2011	Changes 2012/2011	
(in thousands of euros)	Actual	At 2011 exchange rates	Actual	Actual	Like-for-like
Revenues	51,107	50,381	52,608	-3%	-4%
Cost of goods sold	(13,865)	(13,793)	(15,678)	-12%	-12%
Gross profit	37,242	36,589	36,930	+1%	-1%
(in % of revenues)	72.9%	72.6%	70.2%	+2.7 points	+2.4 points
Research and development	(3,015)	(3,015)	(2,973)	+1%	+1%
Selling, general and administrative expenses	(29,111)	(28,958)	(26,341)	+11%	+10%
Income from operations	5,116	4,615	7,616	-33%	-39%
(in % of revenues)	10.0%	9.2%	14.5%	-4.5 points	-5.3 points
Profit before tax	4,700	4,199	7,219	-35%	-42%
Income tax	(1,106)	na	(2,380)	-54%	na
Net income	3,594	na	4,839	-26%	na

4.2 Fiscal Year 2012

	Twelve Months Ended December 31				
	2012		2011	Changes 2012/2011	
(in thousands of euros)	Actual	At 2011 exchange rates	Actual	Actual	Like-for-like
Revenues	198,436	192,207	205,923	-4%	-7%
Cost of goods sold	(53,475)	(52,882)	(61,613)	-13%	-14%
Gross profit	144,961	139,325	144,310	+0%	-3%
(in % of revenues)	73.1%	72.5%	70.1%	+3.0 points	+2.4 points
Research and development	(11,536)	(11,536)	(11,463)	+1%	+1%
Selling, general and administrative expenses	(113,611)	(111,001)	(103,544)	+10%	+7%
Income from operations	19,814	16,789	29,303	-32%	-43%
(in % of revenues)	10.0%	8.7%	14.2%	-4.2 points	-5.5 points
Profit before tax	18,509	15,484	27,590	-33%	-44%
Income tax	(4,865)	na	(8,134)	-40%	na
Net income	13,644	na	19,456	-30%	na

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

5.1 Q4 2012

Revenues by geographic region

(in thousands of euros)	Three Months Ended December 31						
	2012			2011		Changes 2012/2011	
	Actual	%	At 2011 exchange rates	Actual	%	Actual	Like-for-like
Europe, of which :	23,339	46%	23,221	23,041	44%	+1%	+1%
- France	4,625	9%	4,625	4,545	9%	+2%	+2%
Americas	13,926	27%	13,572	11,269	21%	+24%	+20%
Asia-Pacific	10,559	21%	10,248	15,450	29%	-32%	-34%
Other countries	3,282	6%	3,340	2,848	5%	+15%	+17%
Total	51,107	100%	50,381	52,608	100%	-3%	-4%

Revenues by product line

(in thousands of euros)	Three Months Ended December 31						
	2012			2011		Changes 2012/2011	
	Actual	%	At 2011 exchange rates	Actual	%	Actual	Like-for-like
Software, of which :	14,412	28%	14,251	13,338	25%	+8%	+7%
- New licenses	6,202	12%	6,123	5,626	11%	+10%	+9%
- Software evolution contracts	8,211	16%	8,128	7,711	15%	+6%	+5%
CAD/CAM equipment	12,813	25%	12,551	16,244	31%	-21%	-23%
Hardware maintenance and on-line services	9,537	19%	9,422	8,844	17%	+8%	+7%
Spare parts and consumables	12,148	24%	11,982	11,783	22%	+3%	+2%
Training and consulting services	2,136	4%	2,114	2,256	4%	-5%	-6%
Miscellaneous	61	0%	61	143	0%	-57%	-57%
Total	51,107	100%	50,381	52,608	100%	-3%	-4%

Breakdown of revenues between new systems sales and recurring revenues

(in thousands of euros)	Three Months Ended December 31						
	2012			2011		Changes 2012/2011	
	Actual	%	At 2011 exchange rates	Actual	%	Actual	Like-for-like
Revenues from new systems sales(1)	21,212	42%	20,849	24,270	46%	-13%	-14%
Recurring revenues(2), of which :	29,895	58%	29,532	28,338	54%	+5%	+4%
- Recurring contracts	17,300	34%	17,108	16,034	30%	+8%	+7%
- Other recurring revenues on the installed base	12,595	25%	12,424	12,304	23%	+2%	+1%
Total	51,107	100%	50,381	52,608	100%	-3%	-4%

(1) *Revenues from sales of new systems comprise sales of new software licenses, CAD/CAM equipment, PC's and peripherals, and related services.*

(2) *Recurring revenues fall into two categories :*

- software evolution, hardware maintenance and online support contracts, which are renewable annually,

- revenues from sales of spare parts and consumables, and punctual interventions, on the installed base, which are statistically recurrent.

5.2 Fiscal Year 2012

Revenues by geographic region

	Twelve Months Ended December 31						
	2012			2011		Changes 2012/2011	
(in thousands of euros)	Actual	%	At 2011 exchange rates	Actual	%	Actual	Like-for-like
Europe, of which :	93,797	47%	93,367	98,712	48%	-5%	-5%
- France	19,130	10%	19,130	20,129	10%	-5%	-5%
Americas	50,188	25%	47,253	43,835	21%	+14%	+8%
Asia-Pacific	41,972	21%	38,911	52,660	26%	-20%	-26%
Other countries	12,479	6%	12,676	10,716	5%	+16%	+18%
Total	198,436	100%	192,207	205,923	100%	-4%	-7%

Revenues by product line

	Twelve Months Ended December 31						
	2012			2011		Changes 2012/2011	
(in thousands of euros)	Actual	%	At 2011 exchange rates	Actual	%	Actual	Like-for-like
Software, of which :	55,313	28%	53,911	55,057	27%	+0%	-2%
- New licenses	23,374	12%	22,701	25,276	12%	-8%	-10%
- Software evolution contracts	31,939	16%	31,210	29,781	14%	+7%	+5%
CAD/CAM equipment	52,225	26%	50,083	63,007	31%	-17%	-21%
Hardware maintenance and on-line services	37,204	19%	36,156	34,657	17%	+7%	+4%
Spare parts and consumables	45,606	23%	44,163	43,739	21%	+4%	+1%
Training and consulting services	7,834	4%	7,646	8,932	4%	-12%	-14%
Miscellaneous	254	0%	248	532	0%	-52%	-53%
Total	198,436	100%	192,207	205,923	100%	-4%	-7%

Breakdown of revenues between new systems sales and recurring revenues

	Twelve Months Ended December 31						
	2012			2011		Changes 2012/2011	
(in thousands of euros)	Actual	%	At 2011 exchange rates	Actual	%	Actual	Like-for-like
Revenues from new systems sales[1]	83,687	42%	80,679	97,746	47%	-14%	-17%
Recurring revenues[2], of which :	114,749	58%	111,528	108,177	53%	+6%	+3%
- Recurring contracts	67,472	34%	65,743	62,579	30%	+8%	+5%
- Other recurring revenues on the installed base	47,277	24%	45,785	45,599	22%	+4%	+0%
Total	198,436	100%	192,207	205,923	100%	-4%	-7%

(1) Revenues from sales of new systems comprise sales of new software licenses, CAD/CAM equipment, PC's and peripherals, and related services.

(2) Recurring revenues fall into two categories :

- software evolution, hardware maintenance and online support contracts, which are renewable annually,

- revenues from sales of spare parts and consumables, and punctual interventions, on the installed base, which are statistically recurrent.

Breakdown of revenues from new systems sales by market sector

(in thousands of euros)	Twelve Months Ended December 31						
	2012			2011		Changes 2012/2011	
	Actual	%	At 2011 exchange rates	Actual	%	Actual	Like-for-like
Fashion (apparel, accessories, footwear)	41,248	49%	40,291	47,777	49%	-14%	-16%
Automotive	30,743	37%	28,967	37,558	38%	-18%	-23%
Furniture	5,705	7%	5,613	6,067	6%	-6%	-7%
Other industries	5,991	7%	5,809	6,344	6%	-6%	-8%
Total	83,687	100%	80,679	97,746	100%	-14%	-17%

6. OPERATING SEGMENT INFORMATION

2011 (in thousands of euros)	Europe	Americas	Asia-Pacific	Other countries	Corporate segment	Total
Revenues	98,712	43,835	52,660	10,716	-	205,923
Income (loss) from operations [1]	8,867	600	1,648	1,391	16,797	29,303

[1] As required in the norm IAS 8, the impacts of the change in the method of recognition of actuarial gains and losses arising from the measurement of defined benefit pensions in the statement of comprehensive income, as explained in note 2 "Summary of accounting rules and methods", are restated from the income from operations at December 31, 2011.

2012 (in thousands of euros)	Europe	Americas	Asia-Pacific	Other countries	Corporate segment	Total
Revenues	93,797	50,188	41,972	12,479	-	198,436
Income (loss) from operations	6,771	240	(1,562)	1,096	13,269	19,814

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 require reconciliation.

7. CONSOLIDATED CASH FLOW SUMMARY

(in millions of euros)	Cash and cash equivalent	Financial debts	Net cash (+) Net debt (–)
Free cash flow	11.5	-	11.5
Proceeds from issuance of ordinary shares [1]	0.2	-	0.2
Sale and purchase of treasury shares [2]	0.2	-	0.2
Dividends paid	(6.3)	-	(6.3)
Change in borrowings	(10.9)	10.9	-
Impact of the consolidation of Lectra Morocco	0.1	-	0.1
Impact of currency variations - other	(0.2)	-	(0.2)
Change in cash position for the period	(5.4)	10.9	5.6
Cash and cash equivalents at December 31, 2011	26.3	(17.7)	8.6
Cash and cash equivalents at December 31, 2012	21.0	(6.7)	14.2
Change in cash position for the period	(5.4)	10.9	5.6

(1) Resulting solely from the exercise of stock options.

(2) Carried out solely under the Liquidity Agreement administered by SG Securities (Société Générale Group) until May 21, 2012, thereafter by Exane BNP Paribas (see note 10).

Free cash flow at December 31, 2012 amounted to €11.5 million. This figure results from a combination of €16.3 million in cash flows provided by operating activities (including an increase in working capital requirement of €4.9 million) and of €4.8 million in capital expenditures.

The main variations in working capital requirement are:

- −€3.7 million corresponding to a decrease in trade accounts receivable, given the drop in sales of new systems and faster collection of accounts receivable (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);
- +€2 million corresponding to an increase in inventories, a major part of this increase being resulting from the launch of the new *Versalis* and *Vector* cutter generations;
- +€5.7 million arising from the (French) research tax credit receivable for 2012, recognized but not received;
- +€0.9 million arising from the change in other current assets and liabilities; taken individually, these changes are immaterial.

The working capital requirement at December 31, 2012, amounted to €2.3 million. It comprised a receivable of €15.7 million in respect of the (French) research tax credit for FY 2010, 2011 and 2012, 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 €13.4 million, which is a key feature of the Group's business model.

8. RESEARCH TAX CREDIT

At December 31, 2012, the research tax credit receivable amounted to €15.7 million. This comprised the research tax credit recognized 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 2012 (€0.6 million) and 2011 (€1.4 million).

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

In light of company estimates of tax research credits 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 receivable), and also expects to receive reimbursement of the balance outstanding of tax research credits not deducted in 2014 (in respect of the 2010 tax credit), 2015 (in respect of the 2011 tax credit), and 2016 (in respect of the 2012 tax credit). This situation will last for as long as the amount of the annual research tax credit exceeds the amount of income tax payable.

If the income tax charge were to rise above the figure for the research tax credit for the year, the company would continue not to pay the income tax charge until deduction of the research tax credit receivable in full. Thereafter it would offset the research tax credit against the income tax charge for the same period in full, and would be required to pay the residual amount.

9. LITIGATION WITH INDUYCO PENDING

A full discussion of this dispute is described in note 23 to the 2011 consolidated financial statements, to which readers are invited to refer.

In its ruling on October 21, 2009, the International Court of Arbitration Awarded Lectra €26.2 million in Damages and Interest (as of December 31, 2012)

In June 2005, Lectra initiated arbitration proceedings against Induyco (then part of the Spanish group El Corte Inglés), the former shareholder of Investronica Sistemas, following the acquisition of this company. Under the stock purchase agreement signed on April 2, 2004, the parties agreed that any disputes arising out of the stock purchase agreement would be finally settled by international arbitration under the Rules of the International Chamber of Commerce in London, England.

In its decision of October 21, 2009, the international arbitral tribunal awarded Lectra €21.7 million (plus interest):

- award on the merits: €15.1 million (plus interest since June 30, 2005 and post-award interest until payment);
- award as costs: €6.6 million (plus post-award interest from the time of the decision until payment).

Induyco refused to honor the award, which was binding on it under international law, and commenced an action in England to set aside the award (the London High Court of Justice dismissed this action in its entirety and denied leave to appeal).

Following the September 20, 2010 decision of the Madrid Court of Appeals, Lectra called on the first demand bank guarantees provided by Induyco and received €15.1 million.

In its decision of *exequatur* issued on June 27, 2011, the Madrid Court of First Instance had recognized the arbitral award and had thus recognized the award is valid and enforceable in Spain and rejected Induyco's challenge to Lectra's application for *exequatur*.

The Madrid Court of Appeal Upholds the Enforcement in Spain of the October 2009 Award Rendered Against Induyco by the International Arbitral Tribunal

In a decision issued on January 28, 2013, the Madrid Court of Appeal upheld the judgment of the Madrid Court of First Instance of June 27, 2011, recognizing the validity and enforceability in Spain of the arbitral award rendered against Induyco in London. With this decision, the Madrid Court of Appeal has, in turn, rejected Induyco's challenge to *exequatur*.

As Induyco has been merged into El Corte Inglés on December 18, 2012 and immediately dissolved, El Corte Ingles has now replaced Induyco as the current debtor of Lectra for the balance still due.

Lectra is determined to pursue the execution of the award until the payment of the full amount due to it.

The Company Has Only Recorded in its Accounts €15.1 Million Actually Received on the Full Amount of the Arbitral Award of €26.2 Million

The decision issued on January 28, 2013 does not modify the accounting of the award in the Group's financial statements. The company has only recorded the €15.1 million received in 2010 and conclusively non-refundable. The balance (€11.1 million) of the total amount of the award (€26.2 million at December 31, 2012) still due by El Corte Inglés was not recorded in the 2012 financial statements and will only be recorded upon its receipt.

As all of the costs incurred by Lectra (excluding those relative to the procedures pending in Spain) have already been paid, the execution of the *exequatur* decision will result in a cash inflow equal to the balance of the award still owed by El Corte Inglés.

10. TREASURY SHARES

The Liquidity Agreement, previously administered by SG Securities (Société Générale), has been managed by Exane BNP Paribas since May 21, 2012.

Since January 1, 2012, the company has purchased 118,644 shares and sold 168,214 shares at an average price of €4.53 and €4.59 respectively under these Liquidity Agreements.

At December 31, 2012, the company held 84,284 Lectra shares (i.e. 0.3% of share capital) with an average purchase price of €4.51 entirely under the Liquidity Agreement.

11. LIQUIDITY AND BANK BORROWINGS

11.1 Cash and Cash Equivalents and Net Cash

(in thousands of euros)	As at December 31, 2012	As at December 31, 2011
Cash and cash equivalents	20,966	26,320
Total borrowings	(6,726)	(17,689)
Net cash	14,240	8,631

The Group's net cash increased by €5.6 million in 2012, after payment of a €6.3 million dividend on May 10, 2012.

11.2 Borrowings and Financial Debts by Category and by Maturity

At December 31, 2012, the repayment schedule is as follows:

(in thousands of euros)	Short term Less than 1 year	Long term Between 1 and 5 years	 More than 5 years	Total
Medium-term bank loan	5,360	-	-	5,360
Interest-free repayable advances [(1)]	474	892	-	1,366
Total	5,834	892	-	6,726

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

11.3 Medium-term Bank Loan

In 2007, the company 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.

In 2011, it made a repayment of €3.8 million on June 30, ahead of the scheduled repayment date, pursuant to the excess cash flow clause in the loan contract (there was no repayment under this clause in 2012) and a voluntary repayment of €10 million on December 31 (in addition to the contractual repayments which were reduced to €0.6 million due to the repayment ahead of schedule for €10 million made on December 31, 2010).

The repayment of €10 million made on December 31, 2011 ahead of the scheduled repayment date, replaced the contractual half-yearly installments due in respect of 2012, which were consequently reduced to €0.6 million and effectively repaid at December 31, 2012.

On December 31, 2012, the company made another voluntary repayment of €10 million ahead of schedule, which similarly substitutes for the contractual half-year repayments due in 2013, consequently reduced to €5.4 million.

Repayments made are summarized in the table below

(in thousands of euros)	2012	2011
Balance of bank loan outstanding at January 1	15,920	30,320
Contractual repayments	(560)	(560)
Early repayments (at company's initiative)	(10,000)	(10,000)
Application of excess cash flow clause	-	(3,840)
Balance of bank loan outstanding at December 31	5,360	15,920

The balance outstanding on the loan, i.e. €5.4 million, is repayable on December 31, 2013.

It carried interest at the 3-month Euribor rate plus a margin of 0.95% per year.

The company hedged its interest-rate risk exposure on part of the loan by converting this floating rate into a fixed rate via two interest-rate swaps, from the date of signature of the loan contract in 2007 and until December 31, 2012 (the expiration date of the last interest-rate swaps). In 2012, the total effective interest fixed rate after including the cost of the hedging instruments and amounts hedged is 3.91%.

In the theoretical event that the 3-month Euribor rate remains identical to that at December 31, 2012 (0.19%), the total effective implied interest rate would be 1.14% in 2013.

11.4 Covenants

The company was bound during the period of the loan to respect at December 31 of each year the covenants governing the ratios between its net financial borrowing and shareholders' equity ("gearing") on the one hand, and between net financial borrowing and EBITDA ("leverage") on the other. These two ratios were respected both in 2012 and in 2011.

The specific clauses attaching to these covenants and the other contractual conditions, concerning in particular early repayment of the borrowing, are presented in detail in note 13.2.2 to the 2011 consolidated financial statements, to which readers are invited to refer.

12. FOREIGN EXCHANGE RISK

The Group's currency risk management policy is unchanged relative to December 31, 2011.

In 2012, the average parity between the dollar and the euro was $1.29/€1.

Exchange Risk Hedging Instruments

Exchange risk hedging instruments at December 31, 2012 are comprised of forward sales or purchases of foreign currencies (mainly U.S. dollars, Canadian dollars, Japanese yen, and British pounds) for a net total equivalent value (sales minus purchases) of €2.5 million, intended to hedge existing positions.

On July 5, 2012, the company hedged its net estimated U.S. dollar exposure for the third and fourth quarters of 2012 by purchasing dollar puts and euro calls, guaranteeing a parity of $1.30/€1, while fully benefitting from any dollar appreciation below this parity.

At the date of publication of this report, the company has not hedged its U.S. dollar exposure for 2013.

13. 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 $1.34 / €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 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, 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.