



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

Dear Shareholders,

We report below on Lectra Group's business activity and consolidated financial statements for the third quarter and first nine months of 2013, ending September 30. Financial statements at September 30 have not been reviewed by the Statutory Auditors.

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

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

1. SUMMARY OF OPERATIONS FOR Q3 2013

With an average exchange rate of \$1.32/€1, the U.S. dollar was down 6% versus Q3 2012 (\$1.25/€1). Currency movements during the period mechanically decreased revenues by €2.3 million (–4%) and income from operations by €1.1 million (–15%) at actual exchange rates compared with like-for-like figures.

Implementing the Company's Transformation Plan

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

This far-reaching plan, representing cumulative investments for the future of €50 million over the period 2012-2015 (see February 12, 2013, financial report and 2012 Annual Report), comprises three components:

- 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 salespeople);
- the addition of 40 software engineers in Bordeaux-Cestas (France), bringing the total R&D workforce to 260 engineers;
- accelerated investment in marketing.

Execution of the plan continued in Q3. Since January 1, 2013, there have been more than 110 recruitments, bringing the total of new hires since the end of 2011 to close to 230. The main priorities, in bolstering sales and marketing teams, have been North America, China, and the Germany and Eastern Europe region.

Meanwhile, 170 people have left the Group under the transformation plan.

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

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

Despite persistently sluggish business conditions, orders for new software licenses and CAD/CAM equipment amounted to €19.4 million, up €0.8 million (+4%) compared with Q3 2012. New software licenses were down 15% and CAD/CAM equipment up 12%.

These orders amounted to €18.7 million in Q2 2013 and to €16.2 million in Q1.

Growth in Revenues from New Systems Sales and Recurring Revenues

Revenues totaled €50.8 million, up 11% relative to Q3 2012, and up 6% at actual exchange rates.

Revenues from new systems sales (€21.2 million) were up by €2.9 million (+15%).

Recurring revenues (€29.6 million) rose by €2.3 million, up 8%, identical to the figure for the first half of 2013. Revenues from recurring contracts were up 6%, and revenues from spare parts and consumables rose by 12%. This confirmation of the acceleration in the growth of recurring revenues (in fiscal 2012, this growth amounted to 3%) is a remarkable performance and deserves special mention.

Rise in Income from Operations and Operating Margin Despite the Impact of Investments for the Future

Income from operations amounted to €6.1 million. Like-for-like, it was up by €1.7 million (+32%) compared with Q3 2012; the operating margin before non-recurring items (11.9%) increased by 2.2 percentage points.

It should be noted that Q3 income from operations each year is boosted by the natural drop in overhead costs over the summer vacation months.

Net income amounted to €4.2 million, up by €0.5 million (+12%) at actual exchange rates, compared with Q3 2012.

Free cash flow amounted to €1.9 million (versus –€2.3 million in Q3 2012).

2. FIRST NINE MONTHS 2013 CONSOLIDATED FINANCIAL STATEMENTS

With an average parity of \$1.32/€1, the U.S. dollar was down 3% compared with the first nine months of 2012 (\$1.28/€1). Other currencies fluctuated more widely against the euro, mainly on the downside. Overall, currency movements mechanically decreased revenues by €4.2 million (–3%) and income from operations before non-recurring items by €1.8 million (–12%) at actual exchange rates compared with like-for-like figures.

The company's 2013 roadmap corresponding to the most cautious scenario communicated on February 12, 2013, anticipated revenues of €149.9 million and income from operations before non-recurring items of €10.9 million for the first nine months of 2013. At actual exchange rates, revenues were in line with this scenario. Income from operations before non-recurring items, meanwhile, was €2.3 million above expectations. The shortfall in orders and revenues from new systems was offset by the stronger growth in recurring revenues, the deferral until the second half of the year of certain fixed overhead costs relating to the transformation plan, and more positive exchange rates than those accounted for.

Orders

Overall, orders for new software licenses and CAD/CAM equipment amounted to €54.3 million, down €0.3 million (–1%) relative to the first nine months of 2012: they were down 8% for new software licenses and up 2% for CAD/CAM equipment.

Geographically, the situation remains uneven. While orders in the Americas and in Asia-Pacific increased by 14% and 2% respectively, those in Europe dropped by 20%. These three regions represented 34%, 26% and 30% respectively of the total orders. Orders in the rest of the world (10% of total orders) increased by 35%.

Orders in emerging countries (56% of total orders) increased by 5%, while those in developed countries (44% of total orders) decreased by 7%. The share of the emerging countries continues to increase (it was 54% over full-year 2012).

Orders in the automotive market continued on their upward path with a rise of 13%. Orders in the fashion sector dropped by 3%, in furniture by 16% and in other industries by 37%. These markets accounted for 43%, 46%, 6% and 5% of total orders respectively, versus 38%, 47%, 7% and 8% respectively over the first nine months of 2012.

Revenues

Revenues totaled €150 million, up 5% like-for-like (+2% at actual exchange rates) compared with the first nine months of 2012.

Revenues increased 18% in the Americas and 5% in Asia-Pacific, but decreased 5% in Europe. These three regions accounted for 28%, 21% and 44% (including 8% for France) of total revenues respectively. Revenues from the rest of the world (7% of total revenues) increased by 26%.

In 2012, these regions accounted for 25%, 21%, 48% (including 10% for France), and 6% of total revenues respectively.

Revenues from New Systems Sales

Revenues from new software licenses (€15.1 million) were down €1.7 million (–10%) and accounted for 10% of total revenues (12% in 2012).

CAD/CAM equipment revenues were up €1 million (+3%) to €39.3 million and accounted for 26% of total revenues (27% in 2012).

Revenues from training and consulting increased by €0.7 million (+12%) to €6.2 million.

Overall, revenues from new systems sales (€61.9 million) remained stable and represented 41% of total revenues (43% in 2012). They increased by 15% in the automotive market and by 3% in furniture, but fell by 8% in fashion, and by 19% in other industries.

Revenues from Recurring Contracts and Spare Parts and Consumables

Recurring revenues (€88.1 million) increased by €6.9 million (+8%). They accounted for 59% of total revenues (57% in 2012).

Revenues from recurring contracts—which represented 34% of total revenues—totaled €51.6 million, a 6% increase, thus confirming the growth recorded throughout the whole of fiscal 2012 (+5%), after the declines of 2010 and 2011. They break down as follows:

- revenues from software evolution contracts (€24.9 million), up 8% compared with 2012 and representing 17% of total revenues;
- revenues from CAD/CAM equipment maintenance contracts and from subscription contracts to the Group's five International Call Centers (€26.7 million), which increased by 4% and contributed to 18% of total revenues.

Revenues from spare parts and consumables (€36.5 million), meanwhile, increased by 12% and represented 24% of total revenues.

Order Backlog

At September 30, 2013, the order backlog of new software licenses and CAD/CAM equipment (€12.8 million) was up €0.7 million relative to December 31, 2012, and up €1.8 million relative to September 30, 2012.

The order backlog comprised €12 million for shipment in Q4 2013.

Gross Profit Margin

The overall gross profit margin was 72.3%. Like-for-like, it decreased by 0.3 percentage points relative to the first nine months of 2012, reflecting the evolution of the sales mix, with software representing a smaller share of total revenues. The gross profit margin for each product line remains stable.

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 goods sold but are recognized in selling, general, and administrative expenses.

Overhead Costs

Total overhead costs were €95.3 million, up €3.7 million (+4%) compared with the first nine months of 2012. They break down as follows:

- €86.3 million in fixed overhead costs, up €3.8 million (+5%);
- €9 million in variable costs, down €0.1 million (-1%).

At actual exchange rates, the rise in fixed overhead costs was €2.1 million.

R&D costs are fully expensed in the period and included in fixed overhead costs. Before deducting the research tax credit and the portion of the new competitiveness and employment tax credit relating to R&D personnel applicable in France, R&D costs amounted to €14 million and represented 9.4% of revenues (compared with €12.9 million and 8.7% in 2012). Net R&D costs, after deductions, amounted to €9.3 million (€8.5 million in 2012).

Income from Operations and Net Income

Income from operations before non-recurring items was €13.2 million.

Like-for-like, it was up €0.8 million (+6%) relative to income from operations for the first nine months of 2012 (there were no non-recurring items in 2012).

At actual exchange rates, it decreased by €1 million (-7%). This figure comprises a €0.2 million decline in revenues from new systems sales, a €0.2 million natural increase in fixed overhead costs, and a €3.6 million increase in fixed overhead costs related to the company's transformation plan. Finally, currency fluctuations had a €1.8 million negative impact. These four negative impacts were partly offset by the €4.9 million positive impact resulting from the increase in recurring revenues.

The operating margin before non-recurring items was 8.8%, up 0.1 percentage points like-for-like.

At actual exchange rates it was down 0.9 percentage points, compared with the operating margin of the first nine months of 2012 (9.7%). Expenditures corresponding to investments for the future in connection with the transformation plan thus accounted for 2.2 percentage points in the reduction of the operating margin of the first nine months of 2013 relative to the first nine months of 2012, and for 4.3 percentage points relative to the same period of 2011, before the introduction of the transformation plan.

After inclusion of the €11.1 million non-recurring income reflecting the receipt of that amount putting an end to the litigation against Induyco (see note 4 of the notes to this report), income from operations amounted to €24.3 million.

Following the repayment of the balance outstanding of the medium-term bank loan on March 31, 2013, financial income and expenses represented a net expense reduced to €0.3 million (€0.7 million in 2012).

Foreign exchange gains and losses generated a net loss of €0.6 million.

After an income tax expense of €4.6 million, net income reached €18.8 million. Net income before non-recurring items amounted to €8.8 million (€9.7 million in 2012).

Net earnings per share on basic and diluted capital were €0.65 and €0.64 respectively (€0.34 and €0.33 per share, respectively, in the first nine months of 2012).

Free Cash Flow

Free cash flow amounted to €16 million, after inclusion of the non-recurring receipt of €11.1 million (there were no non-recurring items in 2012).

Free cash flow before non-recurring items amounted to €4.9 million (€5.7 million in the first nine months of 2012). This figure results from cash flow provided by operating activities of €8.6 million, (including an increase in the working capital requirement of €5.6 million), and cash flow used in investing activities of €3.7 million (see note 8 of the notes to this report).

The research tax credit (€4.8 million) and the competitiveness and employment tax credit (€0.4 million) for the first nine months were accounted for but not received. If they had been received, the increase in working capital requirement would have been limited to €0.4 million, and free cash flow before non-recurring items would have risen to €10.1 million, exceeding net income before non-recurring items by €1.3 million.

Shareholders' Equity

At September 30, 2013, consolidated shareholders' equity amounted to €78.6 million (€65 million at December 31, 2012), after payment on May 10, 2013, of the €6.4 million dividend (€0.22 per share) declared in respect of fiscal 2012.

The figure for shareholders' equity is calculated after deduction of treasury shares held under the Liquidity Agreement. Treasury shares are carried at cost, i.e. €0.2 million (versus €0.4 million at December 31, 2012).

Cash and cash equivalents totaled €25.8 million (€21 million at December 31, 2012).

Financial borrowings have been reduced to €0.9 million (€6.7 million at December 31, 2012). They correspond to interest-free government advances to help finance R&D programs.

On March 31, 2013, the company repaid the remaining €5.4 million of the €48 million medium-term loan contracted in May 2007 in order to finance the public stock repurchase tender offer for 20% of the share capital. This repayment was made at the company's initiative, and in advance of the contractual due date.

Since the beginning of the year, the net cash position has increased by €10.6 million and stood at €24.9 million at September 30, 2013 (€14.2 million at December 31, 2012).

The working capital requirement amounted to €6.8 million. This item includes a receivable of €20.3 million on the French tax administration (*Trésor public*) corresponding to the research tax credit and competitiveness and employment tax credit, recognized since fiscal 2010 but not yet received and not offset against income tax. Restated for this receivable, the working capital requirement was negative at €13.5 million, which is a key feature of the Group's business model.

It should be noted that, when these tax credits cannot be charged against income tax, they are treated as a receivable on the French tax administration. If unused in the ensuing three years, they are repaid to the company in the course of the fourth year (*see note 9 of the notes to this report*).

3. SHARE CAPITAL – OWNERSHIP – SHARE PRICE PERFORMANCE

Change in Share Capital

At September 30, 2013, the share capital totaled €29,220,822, divided into 29,220,822 shares with a par value of €1.00.

Share capital has increased by 272,507 shares since January 1, 2013, resulting from the exercise of stock options (an increase of €0.3 million of share capital together with a total share premium of €0.6 million).

No crossing of statutory thresholds has been notified to the company in Q3.

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

- André Harari and Daniel Harari, who together hold 38% of the capital and 37.6% of the voting rights;
- Delta Lloyd Asset Management N.V. (Netherlands), which holds more than 10% (but less than 15%) of the capital and of the voting rights, on behalf of investment funds managed by it;
- Schroder Investment Management Ltd (UK), which holds more than 5% (but less than 10%) of the capital and voting rights, on behalf of investment funds managed by it.

Treasury Shares

At September 30, 2013, the company held 0.1% 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 September 30, 2013, was €6.01, up 27% compared with December 31, 2012 (€4.73). The share price recorded a low of €4.59 on April 29 and a high of €6.17 on August 12. The CAC 40 index and the CAC Mid & Small index rose 14% and 18% respectively over the same period.

According to Euronext statistics, the number of shares traded (5.4 million) has doubled, and trading volumes (€28.3 million) were up 130% compared with the same period in 2012.

4. SIGNIFICANT POST-CLOSING EVENTS

No significant event has occurred since September 30, 2013.

5. FINANCIAL CALENDAR

The Q4 and fiscal 2013 financial results will be published on February 11, 2014, after close of trading on NYSE Euronext.

6. BUSINESS TRENDS AND OUTLOOK

The company has discussed its business trends and outlook at length in its February 12, 2013, financial report, and in its 2012 Annual Report.

In particular, it has discussed: the new strategic roadmap for 2013-2015 to enable the company to fully realize its growth potential; its clear and ambitious financial goals for the period; the far-reaching company transformation plan and investments for the future representing a cumulative €50 million over the period 2012-2015; the pursuit of its dividend-payment policy while fully financing its future development internally; and, finally, its 2013 outlook.

On February 12, 2013, the company indicated that it was preparing for economic conditions to be as weak in 2013 as in 2012, and that the year was likely to be both difficult and unpredictable. Since then many developed and emerging countries have experienced slower growth, resulting for some of them in a further downgrading of their growth outlook for 2013 and 2014. The resulting increase in uncertainty has strongly affected businesses' investment decisions.

In its most cautious scenario, the company stated that it expected total revenues of approximately €203 million (+6% like-for-like versus 2012) for fiscal 2013, income from operations before non-recurring items of around €15 million (-10%), reducing the operating margin before non-recurring items to 7.5%, and net income of around €10 million (-25% at actual exchange rates).

The company also emphasized its goal of exceeding these figures. Each additional €1 million in revenues from new systems sales would boost income from operations by approximately €0.45 million.

Visibility remains poor in the current economic conditions, calling for continuing caution as regards the level of orders and revenues from new systems for Q4. Meanwhile, the increase in overhead costs resulting from the acceleration of the transformation plan and the unfavorable evolution of the euro/dollar exchange rate will have an impact on income from operations before non-recurring items in Q4. Given its advance at September 30, 2013, on the company's roadmap corresponding to this scenario, income from operations before non-recurring items should, however, exceed the €15 million expected.

The Company is Confident in its Medium-Term Growth Prospects

The company entered 2013 with very solid operating fundamentals and a strong balance sheet, which has been further strengthened by net income for the first nine months, the receipt of the balance due from the litigation against Induyco, and the repayment of its financial debt.

Bolstered by its performance since 2010, the strength of its business model and the relevance of its new strategic roadmap for the period 2013-2015, the company is confident in its growth prospects for the medium term and in reaching the goals it has set itself for 2015, namely compound annual revenue growth equal to or greater than 10%; a 15% operating margin (excluding non-recurring items); and a more than doubling of income from operations (excluding non-recurring items) and net income in three years.

The company will present its outlook for 2014 together with the first progress report on the implementation of its roadmap, on February 11, 2014.

The Board of Directors

October 29, 2013

Company Certification of the Report for the Third Quarter and First Nine Months of 2013

We certify that, to our knowledge, the financial statements for the third quarter and the first nine months of 2013 have been prepared in accordance with currently applicable accounting standards and provide a fair view of the assets, financial condition, and results of the company and of its consolidated companies. We further certify that the report on operations for the third quarter and first nine months presents a true and sincere view of the significant events that occurred during the first nine months of the fiscal year and their impact on the financial statements, as well as a description of the main risks and uncertainties for the remaining three months of the fiscal year.

Paris, October 29, 2013

Daniel Harari
Chief Executive Officer

Jérôme Viala
Chief Financial Officer

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

(in thousands of euros)	As at September 30, 2013	As at December 31, 2012 ⁽¹⁾	As at September 30, 2012 ⁽¹⁾
Goodwill	30,867	31,132	31,374
Other intangible assets	4,109	4,273	4,581
Property, plant and equipment	13,122	12,959	12,943
Non-current financial assets	2,415	1,871	2,057
Deferred tax assets	7,255	8,791	8,916
Total non-current assets	57,768	59,026	59,871
Inventories	21,909	22,756	23,669
Trade accounts receivable	34,448	45,149	32,071
Other current assets	28,109	22,108	22,424
Cash and cash equivalents	25,758	20,966	25,811
Total current assets	110,224	110,979	103,975
Total assets	167,992	170,005	163,846

EQUITY AND LIABILITIES

(in thousands of euros)	As at September 30, 2013	As at December 31, 2012 ⁽¹⁾	As at September 30, 2012 ⁽¹⁾
Share capital	29,221	28,948	28,944
Share premium	3,155	2,600	2,591
Treasury shares	(214)	(380)	(431)
Currency translation adjustments	(8,840)	(8,840)	(8,654)
Retained earnings and net income	55,293	42,676	39,779
Total equity	78,615	65,004	62,229
Retirement benefit obligations	7,020	6,872	5,962
Borrowings, non-current portion	392	892	6,642
Total non-current liabilities	7,412	7,764	12,604
Trade and other current payables	43,209	44,265	42,826
Deferred revenues	32,410	41,911	30,756
Current income tax liabilities	2,038	1,545	1,323
Borrowings, current portion	500	5,834	10,633
Provisions for other liabilities and charges	3,808	3,682	3,475
Total current liabilities	81,965	97,237	89,013
Total equity and liabilities	167,992	170,005	163,846

(1) The impacts of the application of the revised IAS 19 standard – Employee Benefits with effect from January 1, 2013, are restated retrospectively in the consolidated statement of financial position at September 30, 2012, and at December 31, 2012 (see note 2 “Summary of accounting rules and methods”).

CONSOLIDATED INCOME STATEMENT

(in thousands of euros)	Three months ended September 30, 2013	Nine months ended September 30, 2013	Three months ended September 30, 2012 ⁽¹⁾	Nine months ended September 30, 2012 ⁽¹⁾
Revenues	50,764	149,997	47,852	147,329
Cost of goods sold	(13,667)	(41,488)	(12,370)	(39,610)
Gross profit	37,097	108,509	35,482	107,719
Research and development	(2,708)	(9,256)	(2,494)	(8,521)
Selling, general and administrative expenses	(28,333)	(86,028)	(27,614)	(84,979)
Income (loss) from operations before non-recurring items	6,056	13,225	5,374	14,219
Non-recurring income	-	11,124	-	-
Income (loss) from operations	6,056	24,349	5,374	14,219
Financial income	41	104	97	259
Financial expenses	(90)	(404)	(198)	(973)
Foreign exchange income (loss)	(132)	(610)	(180)	(175)
Income (loss) before tax	5,875	23,439	5,093	13,330
Income tax	(1,629)	(4,590)	(1,305)	(3,599)
Net income (loss)	4,246	18,849	3,788	9,731

(in euros)

Earnings per share				
- basic	0.15	0.65	0.13	0.34
- diluted	0.14	0.64	0.13	0.33
Shares used in calculating earnings per share				
- basic	29,129,997	29,020,971	28,832,788	28,790,966
- diluted	29,623,765	29,521,092	29,292,440	29,253,967

STATEMENT OF COMPREHENSIVE INCOME

(in thousands of euros)	Three months ended September 30, 2013	Nine months ended September 30, 2013	Three months ended September 30, 2012 ⁽¹⁾	Nine months ended September 30, 2012 ⁽¹⁾
Net income (loss)	4,246	18,849	3,788	9,731
Currency translation adjustments	90	-	75	160
Tax effect	-	-	-	-
Other comprehensive income (loss) which will be later reclassified in net income (loss)	90	0	75	160
Actuarial gains (losses) on defined benefit pension liabilities	(4)	(21)	(2)	(921)
Effective portion of the change in fair value of interest-rate swaps	-	-	48	267
Tax effect	4	4	(16)	142
Other comprehensive income (loss) which will not be later reclassified in net income (loss)	0	(17)	30	(512)
Comprehensive income (loss)	4,336	18,832	3,893	9,379

(1) The impacts of the application of the revised IAS 19 standard – Employee Benefits with effect from January 1, 2013, are restated retrospectively in the consolidated income statement at September 30, 2012 (see note 2 “Summary of accounting rules and methods”).

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of euros)	Nine months ended September 30, 2013	Nine months ended September 30, 2012 ⁽¹⁾
I - OPERATING ACTIVITIES		
Net income (loss)	18,849	9,731
Depreciation and amortization	5,012	5,889
Non-cash operating expenses	199	(152)
Loss (profit) on sale of fixed assets	(32)	(43)
Changes in deferred income taxes, net value	1,284	760
Changes in inventories	(53)	(2,980)
Changes in trade accounts receivable	789	5,669
Changes in other current assets and liabilities	(6,322)	(9,011)
Net cash provided by (used in) operating activities ⁽²⁾	19,726	9,863
II - INVESTING ACTIVITIES		
Purchases of intangible assets	(1,166)	(1,115)
Purchases of property, plant and equipment	(2,013)	(3,158)
Proceeds from sales of intangible assets and property, plant and equipment	63	126
Purchases of financial assets	(1,377)	(631)
Proceeds from sales of financial assets	794	608
Net cash provided by (used in) investing activities	(3,699)	(4,170)
III - FINANCING ACTIVITIES		
Proceeds from issuance of ordinary shares	828	143
Dividends paid	(6,377)	(6,330)
Purchases of treasury shares	(789)	(346)
Sales of treasury shares	1,049	528
Repayments of long term and short term borrowings	(5,834)	(374)
Net cash provided by (used in) financing activities	(11,123)	(6,379)
Increase (decrease) in cash and cash equivalents	4,904	(686)
Cash and cash equivalents at opening	20,966	26,320
Increase (decrease) in cash and cash equivalents	4,904	(686)
Effect of the consolidation of Lectra Morocco	-	137
Effect of changes in foreign exchange rates	(112)	40
Cash and cash equivalents at closing	25,758	25,811
Free cash flow before non-recurring items	4,903	5,693
Non-recurring items of the free cash flow	11,124	-
Free cash flow	16,027	5,693
Income tax paid (reimbursed), net	2,404	2,957
Interest paid	15	519

(1) The impacts of the application of the revised IAS 19 standard – Employee Benefits with effect from January 1, 2013, are restated retrospectively in the consolidated statement of cash flows at September 30, 2012 (see note 2 “Summary of accounting rules and methods”).

(2) At September 30, 2013, the net cash provided by operating activities includes €11,124,000 of non-recurring elements (see note 8).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in thousands of euros, except for par value per share expressed in euros)	Share capital			Share premium	Treasury shares	Currency translation adjustments	Retained earnings and net income	Equity
	Number of shares	Par value per share	Total par value					
Balance at January 1, 2012	28,903,610	0.97	28,037	2,487	(722)	(8,816)	37,700	58,686
Net income (loss) ⁽¹⁾							9,731	9,731
Other comprehensive income (loss)						162	(512)	(350)
Comprehensive income (loss)						162	9,219	9,381
Increase of par value per share		0.03	868				(868)	-
Exercised stock options	40,752	0.99	40	103				143
Fair value of stock options							131	131
Sale (purchase) of treasury shares					291			291
Profit (loss) on treasury shares							(73)	(73)
Dividends paid							(6,330)	(6,330)
Balance at September 30, 2012	28,944,362	1.00	28,944	2,591	(431)	(8,654)	39,779	62,229
Balance at January 1, 2012	28,903,610	0.97	28,037	2,487	(722)	(8,816)	37,700	58,686
Net income (loss) ⁽¹⁾							13,325	13,325
Other comprehensive income (loss)						(24)	(1,305)	(1,329)
Comprehensive income (loss)						(24)	12,020	11,996
Increase of par value per share		0.03	868				(868)	-
Exercised stock options	44,705	0.99	44	112				156
Fair value of stock options							225	225
Sale (purchase) of treasury shares					342			342
Profit (loss) on treasury shares							(71)	(71)
Dividends paid							(6,330)	(6,330)
Balance at December 31, 2012	28,948,315	1.00	28,948	2,600	(380)	(8,840)	42,676	65,004
Net income (loss)							18,849	18,849
Other comprehensive income (loss)						-	(17)	(17)
Comprehensive income (loss)						-	18,832	18,832
Exercised stock options	272,507	1.00	273	556				828
Fair value of stock options							98	98
Sale (purchase) of treasury shares					166			166
Profit (loss) on treasury shares							62	62
Dividends paid							(6,377)	(6,377)
Balance at September 30, 2013	29,220,822	1.00	29,221	3,155	(214)	(8,840)	55,293	78,615

(1) The impacts of the application of the revised IAS 19 standard – Employee Benefits with effect from January 1, 2013, are restated retrospectively in the consolidated statement of changes in equity at September 30, 2012, and at December 31, 2012 (see note 2 “Summary of accounting rules and methods”).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT SEPTEMBER 30, 2013

1. BUSINESS ACTIVITY

Lectra was established in 1973 and has been listed on NYSE Euronext (compartment C) since 1987. Lectra is the world leader in software, CAD/CAM equipment and associated services dedicated to large-scale users of fabrics, leather, technical textiles and composite materials. Lectra addresses a broad array of major global markets, mainly fashion (apparel, accessories, and footwear), automotive (car seats and interiors, airbags), furniture as well as a wide variety of other industries, such as the aeronautical and marine industries, and wind power.

The company's technology 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: cutting costs and boosting productivity; reducing time-to-market; dealing with globalization; developing secure electronic communications; enhancing quality; satisfying the demand for mass-customization; and monitoring and developing their corporate brands. The Group markets end-to-end solutions comprising the sale of software, CAD/CAM equipment and associated services (technical maintenance, support, training, consulting, sales of consumables and spare parts).

With the exception of a few products for which the company has formed 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 industrial facilities in Bordeaux-Cestas (France) where most of Lectra's R&D is performed.

Lectra's strength lies in the skills and experience of its more than 1,400 employees worldwide, encompassing expert R&D, technical and sales teams with deep knowledge of their customers' businesses.

The Group has been present worldwide since the mid-1980s. Based in France, the company serves its customers in more than 100 countries through its extensive network of 31 sales and services subsidiaries, which are backed by agents and distributors in some regions. Thanks to this unrivaled 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 790 employees dedicated to marketing, sales and services in the world. It employs nearly 240 engineers dedicated to R&D, and 160 employees in industrial purchasing, assembly and testing of CAD/CAM equipment, and logistics.

Business Model

Lectra's business model comprises two types of revenue streams:

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

In addition, the business model is geared to generating free cash flow in excess of net income assuming utilization or receipt of the annual research tax credit and the competitiveness and employment tax credit applicable in France.

2. SUMMARY OF ACCOUNTING RULES AND METHODS

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

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

The condensed consolidated financial statements at September 30, 2013, have been prepared in accordance with IAS 34 - Interim Financial Statements. They do not comprise all of the financial disclosures required in the complete annual financial statements and should be read in conjunction with the Group's consolidated financial statements and attached notes for the fiscal year 2012, available on www.lectra.com.

The consolidated financial statements at September 30, 2013, have been prepared in accordance with the same rules and methods as those applied in the preparation of the 2012 annual financial statements, with the exception of the two standards presented below. They have been prepared under the responsibility of the Board of Directors at its meeting of October 29, 2013 and have not been reviewed by the Statutory Auditors.

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

The Group has also applied the amendment to IAS 19 – Employee benefits, mandatory for fiscal years starting from January 1, 2013. The only impact of application of this amendment concerns accounting for past service costs. These were amortized over the expected duration of the obligation whereas they are henceforward recognized in full in the income statement with effect from January 1, 2013. Retrospective application of this amendment has led the Group to restate prior published periods, and to show a reduction of €479,000 (€319,000 after tax effect) at September 30, 2012, and December 31, 2012, in restated consolidated shareholders' equity.

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

The restated consolidated income statement is shown in the following table:

CONSOLIDATED INCOME STATEMENT

	Nine months ended September 30, 2012 published	Nine months ended September 30, 2012 restated	Twelve months ended December 31, 2012 published	Twelve months ended December 31, 2012 restated
Revenues	147,329	147,329	198,436	198,436
Cost of goods sold	(39,610)	(39,610)	(53,475)	(53,475)
Gross profit	107,719	107,719	144,961	144,961
Research and development	(8,521)	(8,521)	(11,536)	(11,536)
Selling, general and administrative expenses	(84,500)	(84,979)	(113,611)	(114,090)
Income (loss) from operations	14,698	14,219	19,814	19,335
Income (loss) before tax	13,809	13,330	18,509	18,030
Income tax	(3,759)	(3,599)	(4,865)	(4,705)
Net income (loss)	10,050	9,731	13,644	13,325

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

Comparability of the Group's interim and annual accounts may be affected by the slightly seasonal nature of the Group's business, which mostly achieves a higher level of revenues during the fourth quarter of the year. This notably applies to sales of new software licenses and CAD/CAM equipment. Moreover, overhead costs are reduced during the third quarter due to the summer holidays in France and in European subsidiaries. These two items have a positive impact on the income from operations of those quarters.

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

Critical Accounting Estimates and Judgments

Preparation of the financial statements in accordance with IFRS demands that certain critical accounting estimates be made. Management is also required to exercise its judgment in applying the Group's accounting policies. Although such estimates are made in a particularly uncertain environment, their relevance is supported by the Group's business model features.

The areas involving a higher degree of judgment or complexity, or requiring material assumptions and estimates in relation to the establishment of the consolidated financial statements, related to goodwill impairment and deferred tax.

Revenues

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

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

For software not sold with the hardware on which it is installed, these conditions are generally fulfilled at the time of installation of the software on the customer's computer (either by CD-ROM or downloading).

Revenues from software evolution contracts and recurring services contracts, billed in advance, are booked monthly over the duration of the contracts.

Revenues from the billing of services not covered by recurring contracts are recognized at the time of performance of the service or, where appropriate, on a percentage of completion basis.

Cost of Goods Sold

Cost of goods sold comprises all purchases of raw materials included in the costs of manufacturing, the change in inventory and inventory write-downs, all labor costs included in manufacturing costs which constitute the added value, freight-out costs on equipments sold, and a share of depreciation of the manufacturing facilities.

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

Research and Development Costs

The technical feasibility of software and hardware developed by the Group is generally not established until a prototype has been produced or until feedback is received from its pilot sites, conditioning their commercialization. Consequently, the technical and economic criteria requiring the recognition of development costs in assets at the moment they occur are not met, and these, together with research costs, are therefore fully expensed in the year in which they are incurred.

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

Earnings per Share

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

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

The dilutive effect of stock options is computed in accordance with the share repurchase method provided 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.

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 7 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, namely: the Americas, Europe, Asia-Pacific, and the Rest of the World, where the company operates chiefly in Northern Africa, South Africa, Turkey, Israel, and the Middle East. These regions are involved in sales and the provision of services to their customers. They do not perform any industrial activities or R&D. They draw on centralized competencies and a wide array of functions that are pooled among all of the regions, including marketing, communication, logistics, procurement, finance, legal affairs, human resources, and

information systems. All of these cross-divisional activities are reported as an additional operating segment referred to here as the “Corporate” segment.

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

3. SCOPE OF CONSOLIDATION

At September 30, 2013, the Group’s scope of consolidation comprised Lectra SA together with 27 fully-consolidated companies.

There was no change in the scope of consolidation during the first nine months of 2013.

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

Four sales and service subsidiaries are not consolidated, their revenues being immaterial both separately and in the aggregate. At September 30, 2013, their combined revenues totaled €0.6 million, and their combined assets in their statement of financial position totaled €1.5 million. They had no out-of-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 when they act as agents. The amount concerned by these transactions was not material at September 30, 2013.

4. END OF LITIGATION AGAINST INDUYCO: PAYMENT OF €11.1 MILLION RECEIVED

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

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

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

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

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

5.1 Q3 2013

(in thousands of euros)	Three Months Ended September 30				
	2013		2012 ⁽¹⁾	Changes 2013/2012	
	Actual	At 2012 exchange rates	Actual	Actual	Like-for-like
Revenues	50,764	53,056	47,852	+6%	+11%
Cost of goods sold	(13,667)	(13,920)	(12,370)	+10%	+13%
Gross profit	37,097	39,136	35,482	+5%	+10%
(in % of revenues)	73.1%	73.8%	74.1%	-1.0 point	-0.3 point
Research and development	(2,708)	(2,708)	(2,494)	+9%	+9%
Selling, general and administrative expenses	(28,333)	(29,318)	(27,614)	+3%	+6%
Income from operations before non-recurring items	6,056	7,110	5,374	+13%	+32%
(in % of revenues)	11.9%	13.4%	11.2%	+0.7 point	+2.2 points
Non-recurring income	-	-	-	na	na
Income from operations	6,056	7,110	5,374	+13%	+32%
(in % of revenues)	11.9%	13.4%	11.2%		
Profit before tax	5,875	6,929	5,093	+15%	+36%
Income tax	(1,629)	na	(1,305)	+25%	na
Net income	4,246	na	3,788	+12%	na

(1) The impacts of the application of the revised IAS 19 standard – Employee Benefits with effect from January 1, 2013, are restated retrospectively in the consolidated income statement at September 30, 2012 (see note 2 “Summary of accounting rules and methods”).

5.2 First Nine Months of 2013

(in thousands of euros)	Nine Months Ended September 30				
	2013		2012 ⁽¹⁾	Changes 2013/2012	
	Actual	At 2012 exchange rates	Actual	Actual	Like-for-like
Revenues	149,997	154,166	147,329	+2%	+5%
Cost of goods sold	(41,488)	(41,949)	(39,610)	+5%	+6%
Gross profit	108,509	112,217	107,719	+1%	+4%
(in % of revenues)	72.3%	72.8%	73.1%	-0.8 point	-0.3 point
Research and development	(9,256)	(9,256)	(8,521)	+9%	+9%
Selling, general and administrative expenses	(86,028)	(87,904)	(84,979)	+1%	+3%
Income from operations before non-recurring items	13,225	15,058	14,219	-7%	+6%
(in % of revenues)	8.8%	9.8%	9.7%	-0.9 point	+0.1 point
Non-recurring income	11,124	11,124	-	na	na
Income from operations	24,349	26,182	14,219	+71%	+84%
(in % of revenues)	16.2%	17.0%	9.7%		
Profit before tax	23,439	25,271	13,330	+76%	+90%
Income tax	(4,590)	na	(3,599)	+28%	na
Net income	18,849	na	9,731	+94%	na

(1) The impacts of the application of the revised IAS 19 standard – Employee Benefits with effect from January 1, 2013, are restated retrospectively in the consolidated income statement at September 30, 2012 (see note 2 “Summary of accounting rules and methods”).

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

6.1 Q3 2013

Revenues by geographic region

(in thousands of euros)	Three Months Ended September 30							
	2013		At 2012 exchange rates	2012		Changes 2013/2012		
	Actual	%		Actual	%	Actual	Like-for-like	
Europe, of which :	21,663	43%	21,828	22,947	48%	-6%	-5%	
- France	4,016	8%	4,016	4,150	9%	-3%	-3%	
Americas	12,565	25%	13,458	12,017	25%	+5%	+12%	
Asia-Pacific	13,114	26%	14,173	10,496	22%	+25%	+35%	
Other countries	3,422	7%	3,596	2,392	5%	+43%	+50%	
Total	50,764	100%	53,056	47,852	100%	+6%	+11%	

Revenues by product line

(in thousands of euros)	Three Months Ended September 30							
	2013		At 2012 exchange rates	2012		Changes 2013/2012		
	Actual	%		Actual	%	Actual	Like-for-like	
Software, of which :	13,591	27%	14,141	13,123	27%	+4%	+8%	
- New licenses	5,130	10%	5,360	5,043	11%	+2%	+6%	
- Software evolution contracts	8,462	17%	8,781	8,079	17%	+5%	+9%	
CAD/CAM equipment	13,364	26%	13,970	11,974	25%	+12%	+17%	
Hardware maintenance and on-line services contracts	8,949	18%	9,352	9,072	19%	-1%	+3%	
Consumables and spare parts	12,192	24%	12,778	11,416	24%	+7%	+12%	
Training and consulting services	2,137	4%	2,252	1,836	4%	+16%	+23%	
Miscellaneous	530	1%	564	431	1%	+23%	+31%	
Total	50,764	100%	53,056	47,852	100%	+6%	+11%	

Breakdown of revenues between new systems sales and recurring revenues

(in thousands of euros)	Three Months Ended September 30							
	2013		At 2012 exchange rates	2012 ⁽³⁾		Changes 2013/2012		
	Actual	%		Actual	%	Actual	Like-for-like	
Revenues from new systems sales ⁽¹⁾	21,161	42%	22,145	19,284	40%	+10%	+15%	
Recurring revenues ⁽²⁾ , of which :	29,603	58%	30,911	28,568	60%	+4%	+8%	
- Recurring contracts	17,411	34%	18,133	17,152	36%	+2%	+6%	
- Consumables and spare parts	12,192	24%	12,778	11,416	24%	+7%	+12%	
Total	50,764	100%	53,056	47,852	100%	+6%	+11%	

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

(2) Recurring revenues fall into two categories:

- software evolution, hardware maintenance and online support contracts, which are renewable annually,
- revenues from sales of consumables and spare parts, which are statistically recurrent.

(3) Revenues from punctual interventions, which appeared under "Recurring Revenues" in 2012 for an amount of €416,000, are now presented as part of "Revenues from New Systems Sales". The amounts for 2012 have consequently been restated to allow comparison with the 2013 data.

6.2 First Nine Months of 2013

Revenues by geographic region

(in thousands of euros)	Nine Months Ended September 30							
	2013		2012		Changes 2013/2012			
	Actual	%	At 2012 exchange rates	Actual	%	Actual	Like-for-like	
Europe, of which :	66,430	44%	66,684	70,457	48%	-6%	-5%	
- France	12,558	8%	12,558	14,504	10%	-13%	-13%	
Americas	41,372	28%	42,938	36,262	25%	+14%	+18%	
Asia-Pacific	31,149	21%	32,952	31,413	21%	-1%	+5%	
Other countries	11,047	7%	11,592	9,196	6%	+20%	+26%	
Total	149,997	100%	154,166	147,329	100%	+2%	+5%	

Revenues by product line

(in thousands of euros)	Nine Months Ended September 30							
	2013		2012		Changes 2013/2012			
	Actual	%	At 2012 exchange rates	Actual	%	Actual	Like-for-like	
Software, of which :	40,013	27%	40,997	40,900	28%	-2%	0%	
- New licenses	15,069	10%	15,477	17,172	12%	-12%	-10%	
- Software evolution contracts	24,944	17%	25,520	23,728	16%	+5%	+8%	
CAD/CAM equipment	39,276	26%	40,422	39,412	27%	0%	+3%	
Hardware maintenance and on-line services contracts	26,679	18%	27,427	26,444	18%	+1%	+4%	
Consumables and spare parts	36,519	24%	37,537	33,458	23%	+9%	+12%	
Training and consulting services	6,156	4%	6,371	5,698	4%	+8%	+12%	
Miscellaneous	1,353	1%	1,413	1,416	1%	-4%	0%	
Total	149,997	100%	154,166	147,329	100%	+2%	+5%	

Breakdown of revenues between new systems sales and recurring revenues

(in thousands of euros)	Nine Months Ended September 30							
	2013		2012 ⁽³⁾		Changes 2013/2012			
	Actual	%	At 2012 exchange rates	Actual	%	Actual	Like-for-like	
Revenues from new systems sales ⁽¹⁾	61,854	41%	63,683	63,699	43%	-3%	0%	
Recurring revenues ⁽²⁾ , of which :	88,142	59%	90,483	83,630	57%	+5%	+8%	
- Recurring contracts	51,624	34%	52,947	50,172	34%	+3%	+6%	
- Consumables and spare parts	36,519	24%	37,537	33,458	23%	+9%	+12%	
Total	149,997	100%	154,166	147,329	100%	+2%	+5%	

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

(2) Recurring revenues fall into two categories:

- software evolution, hardware maintenance and online support contracts, which are renewable annually,
- revenues from sales of consumables and spare parts, which are statistically recurrent.

(3) Revenues from punctual interventions, which appeared under "Recurring Revenues" in 2012 for an amount of €1,224,000, are now presented as part of "Revenues from New Systems Sales". The amounts for 2012 have consequently been restated to allow comparison with the 2013 data.

Breakdown of revenues from new systems sales by market sector

(in thousands of euros)	Nine Months Ended September 30						
	2013		2012 ⁽¹⁾		Changes 2013/2012		
	Actual	%	At 2012 exchange rates	Actual	%	Actual	Like-for-like
Fashion (apparel, accessories, footwear)	28,423	46%	29,253	31,866	50%	-11%	-8%
Automotive	24,681	40%	25,498	22,100	35%	+12%	+15%
Furniture	4,770	8%	4,888	4,749	7%	0%	+3%
Other industries	3,980	6%	4,043	4,984	8%	-20%	-19%
Total	61,854	100%	63,683	63,699	100%	-3%	0%

(1) Revenues from punctual interventions, which appeared under "Recurring Revenues" in 2012 for an amount of €1,224,000, are now presented as part of "Revenues from New Systems Sales". The amounts for 2012 have consequently been restated to allow comparison with the 2013 data.

7. OPERATING SEGMENTS INFORMATION

Nine months ended September 30, 2013						
(in thousands of euros)	Europe	Americas	Asia-Pacific	Other countries	Corporate segment	Total
Revenues	66,430	41,372	31,149	11,047	-	149,997
Income (loss) from operations before non-recurring items	6,449	1,800	(272)	1,450	3,798	13,225

Nine months ended September 30, 2012						
(in thousands of euros)	Europe	Americas	Asia-Pacific	Other countries	Corporate segment	Total
Revenues	70,457	36,262	31,413	9,196	-	147,329
Income (loss) from operations before non-recurring items ^{(1) (2)}	7,831	1,220	(170)	1,317	4,021	14,219

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

(2) The impacts of the application of the revised IAS 19 standard – Employee Benefits with effect from January 1, 2013, are restated retrospectively in the consolidated income statement at September 30, 2012 (see note 2 "Summary of accounting rules and methods").

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

8. CONSOLIDATED CASH FLOW SUMMARY

Nine months ended September 30, 2013 (in millions of euros)	Cash and cash equivalents	Financial debts	Net cash (+) Net debt (-)
Free cash flow before non-recurring items	4.9	-	4.9
Non-recurring items included in free cash flow	11.1	-	11.1
Proceeds from issuance of ordinary shares ⁽¹⁾	0.8	-	0.8
Sale and purchase of treasury shares ⁽²⁾	0.3	-	0.3
Dividends paid	(6.4)	-	(6.4)
Change in borrowings	(5.8)	5.8	-
Impact of currency variations - other	(0.1)	-	(0.1)
Change in cash position for the period	4.8	5.8	10.6
Cash position at December 31, 2012	21.0	(6.7)	14.2
Cash position at September 30, 2013	25.8	(0.9)	24.9
Change in cash position for the period	4.8	5.8	10.6

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

(2) Carried out solely under the Liquidity Agreement administered by Exane BNP Paribas (see note 10).

Free cash flow before non-recurring items for the nine months ended September 30, 2013, amounted to €4.9 million. This figure results from a combination of €8.6 million in cash flows provided by operating activities (including an increase in working capital requirement of €5.6 million) and of €3.7 million in investing activities. Non-recurring items included in free cash flow correspond to the receipt of the balance due from the litigation against Induyco for €11.1 million.

The main variations in working capital requirement are:

- -€0.8 million corresponding to a decrease in trade accounts receivable;
- +€0.1 million corresponding to an increase in inventories;
- +€4.6 million arising from the receivable on the French tax administration (*Trésor public*) corresponding to the (French) research tax credit receivable and competitiveness and employment tax credit receivable for the first nine months of 2013 (€5.2 million), accounted for but not received, after deduction of the corporate income tax due by Lectra SA (€0.6 million) for the same period;
- +€1.7 million arising from the change in other current assets and liabilities; taken individually, these changes are immaterial.

The working capital requirement at September 30, 2013, amounted to €6.8 million. It comprised a receivable of €20.3 million on the French tax administration in respect of the research tax credit as well as the competitiveness and employment tax credit, which have not been received and have not been deducted from the current income tax expense (see note 9 hereafter). Restated for this receivable, the working capital requirement was negative at €13.5 million, which is a key feature of the Group's business model.

9. RESEARCH TAX CREDIT – COMPETITIVENESS AND EMPLOYMENT TAX CREDIT

As at September 30, 2013, the company Lectra SA held a €20.3 million receivable on the French tax administration. This comprised:

- the research tax credit recognized in the first nine months of 2013 (€4.8 million), in 2012 (€5.7 million), in 2011 (€6.2 million) and the balance outstanding (€3.2 million) of the research tax credit accounted for in 2010 after deduction from corporate income tax due by Lectra SA in respect of the first nine months of 2013 and previous fiscal years;
- the competitiveness and employment tax credit accounted for the first time in the first nine months of 2013 (€0.4 million). This tax credit should represent €0.5 million for the total year 2013 and €0.8 million yearly from 2014 onwards.

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

In light of company estimates of these tax 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 corresponding receivable. It also expects to receive reimbursement of the balance outstanding of these tax credits not deducted in 2014 (in respect of the 2010 tax credit), 2015 (in respect of the 2011 tax credit), 2016 (in respect of the 2012 tax credit) and 2017 (in respect of the 2013 tax credits). This situation will last for as long as the amount of the annual tax credits exceeds the amount of income tax payable.

If the income tax expense were to rise above the amounts of tax credits for the year, the company would continue not to pay the current income tax until deduction of the corresponding receivable in full. Thereafter it would deduct these tax credits each year from the income tax expense for the same period in full, and would be required to pay the residual amount.

10. TREASURY SHARES

During the first nine months of 2013, the company has purchased 146,703 shares and sold 194,138 shares at an average price of €5.38 and €5.40 respectively under the Liquidity Agreement administered by Exane BNP Paribas.

At September 30, 2013, the company held 36,849 Lectra shares (i.e. 0.1% of the share capital) with an average purchase price of €5.81 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 September 30, 2013	As at December 31, 2012
Cash and cash equivalents	25,758	20,966
Total borrowings	(892)	(6,726)
Net cash	24,866	14,240

The Group's net cash increased by €10.6 million during the first nine months of 2013, following the receipt of the balance due of damages from the litigation against Induyco for €11.1 million and the payment of the €6.4 million dividend.

11.2 Borrowings and Financial Debts by Category and by Maturity

As at September 30, 2013, the repayment schedule is as follows:

(in thousands of euros)	Short term	Long term		Total
	Less than 1 year	Between 1 and 5 years	More than 5 years	
Medium-term bank loan	-	-	-	-
Interest-free repayable advances ⁽¹⁾	500	392	-	892
Total	500	392	-	892

(1) The repayable advances correspond to public grants to finance R&D programs repayable on March 31, 2014 (€0.5 million) and 2015 (€0.4 million).

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.

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

(in thousands of euros)	September 30, 2013	December 31, 2012
Balance of loan outstanding at opening	5,360	15,920
Contractual repayments	-	(560)
Early repayments (at company's initiative)	(5,360)	(10,000)
Balance of loan outstanding at closing	0	5,360

12. FOREIGN EXCHANGE RISK

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

During the first nine months of 2013, the average parity between the US dollar and the euro was \$1.32/€1.

Exchange Risk Hedging Instruments

Exchange risk hedging instruments as at September 30, 2013, are comprised of forward sales or purchases of foreign currencies (mainly US dollars, Canadian dollars, Japanese yen, and British pounds) for a net total equivalent value (sales minus purchases) of €3 million, intended to hedge existing positions.

At the date of publication of this report, the company has not hedged its US dollar future flows exposure.

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 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 \$1.38/€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 over the entire year mechanically entails a fall in FY 2013 revenues of around €0.8 million and of €0.4 million in income from operations. Conversely, a 1% fall in the euro increases 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. Nonetheless, the monetary policies of most major countries could lead to a more global appreciation of the euro against a very large number of currencies, as illustrated by the evolution and high volatility of exchange rates since the beginning of 2013.

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