MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS FOR THE FOURTH QUARTER AND FULL-YEAR OF 2013

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, 2013. Financial statements for fiscal year 2013 have 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 Q4 2013

With an average exchange rate of $1.36/€1, the U.S. dollar was down 5% versus Q4 2012 ($1.30/€1). Currency movements during the period mechanically decreased revenues by €2 million (–4%) and income from operations before non-recurring items by €0.9 million (–17%) at actual exchange rates compared with like-for-like figures.

Weaker-than-Expected Orders for New Software Licenses and CAD/CAM Equipment

As a result of persistently sluggish business conditions, orders for new software licenses and CAD/CAM equipment were weaker than expected at €17.1 million, down €2.3 million (–12%) compared with Q4 2012. New software licenses fell 23% and CAD/CAM equipment 7%.

These orders amounted to €16.2 million in Q1, €18.7 million in Q2, and €19.4 million in Q3 2013 and remained stable in the first nine months compared with the same period in 2012.

Growth in Revenues from New Systems Sales and Recurring Revenues

Revenues totaled €53 million, up 8% relative to Q4 2012, and up 4% at actual exchange rates.

Revenues from new systems sales (€23.1 million) increased by €2.3 million (+11%).

Recurring revenues (€30 million) rose by €1.6 million (+6%). Revenues from recurring contracts were up 4%, and revenues from spare parts and consumables rose by 8%.

Income from Operations Remained Stable Despite the Growing Impact of Investments for the Future

Income from operations before non-recurring items amounted to €4.2 million. Like-for-like, it was stable compared with Q4 2012. The operating margin before non-recurring items (8%) decreased by 0.7 percentage point, due to the rise in fixed overhead costs (+€2.2 million), resulting primarily from the transformation plan.

Net income amounted to €2.9 million, down by €0.7 million (–19%) at actual exchange rates, compared with Q4 2012.

Free cash flow amounted to €1.6 million (versus €5.8 million in Q4 2012), bringing the figure for H2 2013 to €3.4 million unchanged relative to H2 2012.

2. SUMMARY OF EVENTS AND PERFORMANCE IN 2013

2013: Increase in Revenues and Income – Continuation of Investments for the Future

The company indicated on February 12, 2013 that the year was likely to be both difficult and unpredictable. The main developed and emerging countries experienced slower–than-expected growth in 2013, due to a number of significant political, economic or social events. Major countries eased their monetary policies, thereby creating additional difficulties for the global economy and pushing up the euro against all other currencies.

Increased concerns among businesses weighed heavily on their investment decisions, and the hoped-for revival of confidence failed to materialize.

Orders for New Software Licenses and CAD/CAM Equipment Hurt by the Weak Economic Situation in Europe

Orders for new software licenses and CAD/CAM equipment amounted to €71.4 million, down 3% (€2.6 million) relative to 2012: –12% for new software licenses, while orders for CAD/CAM equipment remained stable.

Geographically, the situation remained uneven. While orders in Asia-Pacific and in the Americas increased by 4% and 2% respectively, those in Europe dropped by 20%. Orders in the rest of the world increased by 33%. Orders in emerging countries (57% of total orders) increased by 2%, while those in developed countries (43% of total orders) decreased by 9%. The share of emerging countries continued to increase (54% in 2012 and 41% in 2007, the last pre-crisis year).

Orders in the automotive market increased by 5%, going from 37% to 40% of total orders. Orders also rose in the furniture sector (+4%). By contrast, orders in the fashion and apparel sector were down 6%, their share decreasing slightly to 47% of total orders, and down 37% in other industries.

Income from Operations Before Non-Recurring Items Above the Company's Most Cautious Scenario

In its most cautious scenario, the company stated on February 12, 2013 that it expected total revenues of approximately €203 million for the fiscal year, income from operations before non-recurring items of around €15 million, reducing the operating margin before non-recurring items to 7.5%, and net income of around €10 million. The company also emphasized its goal of exceeding these figures.

At actual exchange rates, revenues totaled €203 million, in line with this scenario. Income from operations before non-recurring items, meanwhile, exceeded expectations by €2.5 million.

Rise in Revenues

As in previous years, the main uncertainty concerned revenues from new systems sales, which are heavily dependent on the state of the economy. Revenues from new systems sales rose in the end by only 3%, which was less than hoped for.

Recurring revenues (€118.1 million) increased by €8.5 million (+7%). Revenues from recurring contracts increased by 5% and revenues from spare parts and consumables by 11%. 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. The increase in the gross margin on recurring revenues alone covered the entire rise in fixed overhead costs in 2013.

2013 revenues (€203 million) were up by 5% relative to 2012.

Revenues increased 14% in the Americas and 12% in Asia-Pacific, but decreased 5% in Europe (13% in France). These three regions accounted for 27%, 22% and 44% (including 8% for France) of total revenues respectively. Revenues from the rest of the world (7% of total revenues) increased by 22%. In 2012, these regions accounted for 26%, 21%, 47% (including 10% for France), and 6% of total revenues respectively.

At actual exchange rates, recurrent revenues exceeded their pre-crisis level by €16.5 million (+16%). Revenues from new systems sales remain lower than their pre-crisis level by €30 million (–26%).

An Operating Margin of 8.6% Before Non-Recurring Items, Despite Lower-Than-Expected Growth and the Impact of Investments for the Future

Income from operations before non-recurring items was €17.5 million. Like-for-like, it was up €0.9 million (+4%) relative to income from operations for 2012 (there were no non-recurring items in 2012).

At actual exchange rates, it decreased by €1.9 million (–10%). This figure comprises a €2.7 million negative impact of currency fluctuations, a €0.1 million natural increase in fixed overhead costs, and a €5.9 million increase in fixed overhead costs related to the company's transformation plan. These negative impacts were partly offset by the €6 million positive impact resulting from the increase in recurring revenues, the increase in revenues from new systems sales (€0.2 million), and from the increase in the gross profit margin (€0.7 million).

The operating margin before non-recurring items was 8.6%, unchanged like-for-like.

At actual exchange rates it was down 1.1 percentage points (9.7% in 2012). Expenditures corresponding to investments for the future in connection with the transformation plan thus accounted for 2.7 percentage points of the reduction of this operating margin relative to 2012, and for 4.8 percentage points relative to 2011, before the plan's inception.

Income from operations amounted to €27.9 million after inclusion of the €11.1 million non-recurring income reflecting receipt of the outstanding amount in the litigation against Induyco and of the €0.7 million goodwill impairment on Lectra Spain.

Strong Net Income and Free Cash Flow

Net income reached €21.8 million. Net income before non-recurring items amounted to €12.5 million (€13.3 million in 2012).

Free cash flow amounted to €17.6 million (€11.5 million in 2012; there were no non-recurring items in 2012).

Free cash flow before non-recurring items amounted to €6.5 million.

If the (French) research tax credit and the competitiveness and employment tax credit for 2013 had been received, free cash flow before non-recurring items would have amounted to €13.4 million, exceeding net income before non-recurring items by €0.9 million.

A Zero-Debt Company, Shareholders' Equity and Net Cash Position Bolstered Once More

At December 31, 2013, consolidated shareholders' equity amounted to €83.8 million (+29%). Cash and cash equivalents totaled €29.5 million (+41%) and the net cash position was positive at €28.6 million (+100%), after payment of the €6.4 million dividend declared in respect of fiscal 2012.

Financial borrowings have been reduced to €0.9 million. They correspond to interest-free government advances to help finance R&D programs.

End of Litigation against Induyco: €11.1 million Received

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

This payment puts an end to eight years of legal proceedings, after Lectra's filing of its request for arbitration in 2005. It is the mark of success of Lectra's strong determination since the dispute arose to enforce its rights and recover the full amount of the damages the International Arbitral Tribunal had awarded to it in its award rendered against Induyco in London in October 2009.

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

3. STRATEGIC ROADMAP FOR 2013-2015: FIRST PROGRESS REPORT

2013 was the second year of implementation of the transformation plan and investments for the future representing €50 million over the period 2012-2015, and the first year of the new strategic roadmap. These programs, presented last year, are discussed in full below.

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 efficiency, the strength of Lectra's business model and the company's resilience. On the strength of its success, the company framed at the end of 2012 a new roadmap for 2013-2015 to enable it to fully realize its growth potential.

Continuing to focus on a long-term strategy, its overriding objectives remain unchanged: accentuate Lectra's technological leadership and the high 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 the operating margin; and generate free cash flow in excess of net income (assuming that the French research tax credit and competitiveness and employment tax credit recognized in the year are received or used) thus self financing its future growth.

Building for the Future in the New Post-Crisis 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 added value and companies' quest 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 and providing dedicated resources for the top 300. Lectra is the only player in its industry supplying a complete high value offer across all its geographical 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 and apparel offering collaborative solutions facilitating collection management; and, finally, 3D technology for fashion and apparel, the new universal product development solution.

Deliberately Cautious Macroeconomic Assumptions

The roadmap assumed that macroeconomic conditions would be as weak as in 2012, consistent with growth forecasts for 2013 and 2014 known on February 12, 2013, while allowing for an upturn in business confidence. After all, businesses will need to adapt and build for their own future 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 geographical markets and market sectors served by Lectra 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 growth. The crisis and its further developments 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 (before non-recurring items) in 2015;
- to more than double income from operations (before non-recurring items) and net income in three years.

These goals are supported by a determination to maintain a tight grip on key operating ratios, by preserving a security ratio (i.e. 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, in particular $1.35/€1.

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

The company had indicated that, given the uncertainties at a time when forecasting is difficult, it may review these goals in the course of this period.

Progress Report

As stated above, global growth was weaker than expected in 2013, and the hoped-for revival in business confidence failed to materialize.

While orders and revenues from new systems have fallen behind relative to the 2013-2015 roadmap, recurring revenues have grown faster than expected. Fixed overhead costs were lower than planned, thanks to a tight grip on expenditures other than investments for the future and due to certain delays in implementation of the transformation plan. All other metrics are in line or better than expected.

Finally, the company's profitability ratios (especially the overall gross profit margin and operating margin) were better than expected, with a particularly robust 79% security ratio.

Due to the above elements and to the economic environment, it would be prudent to consider that the company will only reach in 2016 the financial objectives it had set for 2015.

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 2010-2012 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 decided at the end of 2011 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 software R&D engineers in Bordeaux-Cestas, bringing the total R&D workforce to 260 engineers;
- accelerated investment in marketing.

Over the period, the transformation will entail more than 300 new hires overall. If the recruitment program is executed in full, Lectra's workforce should rise by around 200 to 1,540 by end 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 geographical 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.

Progress Report

Costs relating to the transformation plan in 2013 (€5.9 million) accounted for practically the entire increase in fixed overhead costs.

The Group spent €3.5 million, or 4% of its total payroll costs, on training, given the importance of new recruits.

The transformation plan has resulted in extensive renewal of Lectra's sales and marketing teams, and a strengthening of software R&D teams.

As of 31 December, 2013, the sales and marketing teams totaled 277 (a rise of 63 since end 2011), a third of which joined the Group in 2013 and 50% since the launch of the plan. R&D teams came to 250 (up 32 since end 2011), 17% of which joined the company in 2013.

Lectra's workforce has increased by 95 since the end of 2011 to 1,433, 16% of which joined the company in 2013 and a quarter since the plan started.

The main priorities in bolstering sales and marketing teams have been the Corporate functions, North America, China, and the Germany and Eastern Europe region. There has been a slight delay in recruiting the corresponding personnel, whereas recruitment of software R&D engineers is proceeding ahead of schedule.

Finally, investment in marketing has been lower than forecast because certain projects have been voluntarily postponed until 2014, while others were assigned internally to new marketing teams.

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 the competitiveness and employment tax credit 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.

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 self finance the company's growth. This ratio could exceptionally 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.

Progress Report

The company repaid ahead of schedule on March 31, 2013 the balance outstanding on its medium term loan, received the payment of the outstanding €11.1 million due by Induyco and ended 2013 with very solid operating fundamentals.

4. CONSOLIDATED FINANCIAL STATEMENTS FOR 2013

With an average parity of $1.33/€1, the U.S. dollar was down 3% compared with 2012 ($1.29/€1). Other currencies fell sharply against the euro, in particular the Japanese yen (–21%) and the Brazilian real (–13%). These currency movements mechanically decreased revenues by €6.2 million (–3%) and income from operations before non-recurring items by €2.7 million (–14%) at actual exchange rates compared with like-for-like figures.

Revenues

Revenues totaled €203 million, up 5% like-for-like (+2% at actual exchange rates) compared with 2012.

Revenues from New Systems Sales

Revenues from new software licenses (€20.1 million) were down €2.7 million (–12%) and accounted for 10% of total revenues (12% in 2012).

CAD/CAM equipment revenues were up €4.1 million (+8%) to €54.6 million and accounted for 27% of total revenues (26% in 2012).

Revenues from training and consulting increased by €0.8 million (+10%) to €8.4 million.

Overall, revenues from new systems sales (€84.9 million) increased by 3% and represented 42% of total revenues (43% in 2012). They increased by 16% in the automotive market, but fell by 1% in furniture, 3% in fashion and apparel, and by 27% in other industries.

Revenues from Recurring Contracts and Spare Parts and Consumables

Recurring revenues (€118.1 million) increased by €8.5 million (+7%). They accounted for 58% of total revenues (57% in 2012).

Revenues from recurring contracts—which represented 34% of total revenues—totaled €69 million, a 5% increase, identical to the increase registered in 2012. They break down as follows:

- revenues from software evolution contracts (€33.5 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 (€35.5 million), which increased by 3% and contributed to 17% of total revenues.

Revenues from spare parts and consumables (€49.1 million), meanwhile, increased by 11% and represented 24% of total revenues.

Order Backlog

At December 31, 2013, the order backlog of new software licenses and CAD/CAM equipment (€9.6 million) was down €2.5 million relative to December 31, 2012.

The order backlog comprised €8.1 million for shipment in Q1 2014 and €1.5 million for the rest of the year and the start of 2015.

Gross Profit Margin

The overall gross profit margin was 72.1%. Like-for-like, it decreased by 0.4 percentage point relative to 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 either increased or remained 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 €129 million, up €6.2 million (+5%) compared with 2012. They break down as follows:

- €116.8 million in fixed overhead costs, up €6 million (+5%);
- €12.2 million in variable costs, up €0.1 million (+1%).

At actual exchange rates, the rise in fixed overhead costs was €3.8 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 €19.1 million and represented 9.4% of revenues (€17.4 million and 8.7% in 2012). Net R&D costs, after deductions, amounted to €12.5 million (€11.5 million in 2012).

Income from Operations and Net Income

Income from operations before non-recurring items was €17.5 million.

Like-for-like, it was up €0.9 million (+4%) relative to income from operations for 2012 (there were no non-recurring items in 2012).

At actual exchange rates, it decreased by €1.9 million (–10%).

After inclusion of the €11.1 million non-recurring income reflecting the receipt of that amount putting an end to the litigation against Induyco and of the goodwill impairment of €0.7 million on Lectra Spain, income from operations amounted to €27.9 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 (€1 million in 2012).

Foreign exchange gains and losses generated a net loss of €0.5 million.

After an income tax expense of €5.3 million, net income reached €21.8 million. Net income excluding non-recurring items amounted to €12.5 million (€13.3 million in 2012).

Net earnings per share on basic and diluted capital were €0.75 and €0.73 respectively (€0.46 per share on basic and diluted capital in 2012). Excluding non-recurring items, net earnings per share on basic and diluted capital were €0.43 and €0.42 respectively.

Free Cash Flow

Free cash flow amounted to €17.6 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 €6.5 million (€11.5 million in 2012). This figure results from cash flow provided by operating activities of €11.5 million (including an increase in the working capital requirement of €9.1 million), and cash flow used in investing activities of €5 million *(see note 8 of the notes to this report)*.

The French research tax credit (€6.4 million) and the competitiveness and employment tax credit (€0.5 million) for 2013 were accounted for but not received. If they had been received, the increase in working capital requirement would have been limited to €2.2 million, and free cash flow before non-recurring items would have risen to €13.4 million, exceeding net income excluding non-recurring items by €0.9 million.

Shareholders' Equity

At December 31, 2013, consolidated shareholders' equity amounted to €83.8 million (€65 million at December 31, 2012), after payment of the €6.4 million dividend 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. €0.1 million (versus €0.4 million at December 31, 2012).

Cash and cash equivalents totaled €29.5 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.

At the company's initiative, 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.

The net cash position doubled in the year at €28.6 million.

The working capital requirement amounted to €9.5 million. It includes a receivable of €22.3 million on the French tax administration *(Trésor public)* corresponding to the research tax credit, recognized since fiscal 2010 but not yet received or offset against income tax. Restated for this receivable, the working capital requirement was negative at €12.8 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)*.

5. APPROPRIATION OF EARNINGS

Dividend Maintained at €0.22 per Share

In 2011, and as recommended by the Board of Directors, the company resumed its dividend payment policy and declared a dividend of €0.18 per share in respect of fiscal 2010. The dividend was increased to €0.22 per share in respect of fiscal 2011 and 2012.

The Board of Directors will propose to the annual Shareholders' Meeting of April 30, 2014 to maintain a dividend of €0.22 per share in respect of fiscal 2013. The total dividend represents a payout ratio of 52% of 2013 net income excluding non-recurring items (30% of net income) and a yield of 2.7% based on the December 31, 2013 closing share price.

Subject to approval by the shareholders, the dividend will be made payable on May 7, 2014.

6. SHARE CAPITAL – OWNERSHIP – SHARE PRICE PERFORMANCE

Change in Share Capital

At December 31, 2013, the share capital totaled €29,664,415, divided into 29,664,415 shares with a par value of €1.00.

Share capital has increased by 716,100 shares since January 1, 2013, resulting from the exercise of stock options (an increase of €0.7 million of share capital together with a total share premium of €2.4 million).

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

On June 11, 2013, Financière de l'Echiquier, on behalf of investment funds it manages, reported that it had decreased its shareholding, on June 7, below the threshold of 5% of the capital stock and the voting rights and that it held at that date 4.22% of the capital stock and 4.16% of the voting rights.

No other crossing of statutory thresholds has been notified to the company in 2013.

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 37.4% of the capital and 37.0% 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 it manages;
- 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 it manages.

Treasury Shares

At December 31, 2013, the company held 0.04% 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 rallied strongly in 2013, with a sharp increase in trading volumes.

The company's share price at December 31, 2013, was €8.29, up 75% compared with December 31, 2012 (€4.73), a level not seen in nearly ten years. The share price recorded a low of €4.59 on April 29 and a high of €8.59 on December 30. The CAC 40 index and the CAC Mid & Small index rose 18% and 27% respectively over the same period, in 2013.

According to Euronext statistics, the number of shares traded (8.1 million) rose by 92%, and trading volumes (€47.6 million) were up 141% compared with 2012. Trading on NYSE Euronext represented more than 99% of the total annual volume, with only €0.3 million traded on other platforms.

Lectra's shares were transferred from Compartment C to Compartment B of NYSE Euronext on January 29, 2014.

7. SIGNIFICANT POST-CLOSING EVENTS

No significant event has occurred since December 31, 2013.

8. FINANCIAL CALENDAR

The annual Shareholders' Meeting will be held on April 30, 2014.

The quarterly financial results for 2014 will be published on April 29, July 30, and October 29, 2014, respectively, after close of trading on NYSE Euronext. The full-year 2014 results will be published on February 11, 2015.

9. BUSINESS TRENDS AND OUTLOOK

The year 2014 looks both difficult and unpredictable like 2013. The latest growth forecasts for 2014 and 2015 confirm signs of a partial upturn in certain developed countries, particularly the United States and Japan, while Europe continues to accumulate structural difficulties and could face a deflation. At the same time, growth in certain emerging countries has been revised downward. Finally, there has been an increase in certain currency risks, e.g. tapering in the U.S. and the fall in emerging markets' currencies.

The constant shift between good and bad news, a lack of visibility and growing concerns over when a lasting economic recovery is going to take place and when confidence will return, are sure to weigh more heavily on companies' investment decisions than the deteriorating macroeconomic conditions. They are likely, moreover, to experience greater difficulty in financing capital expenditures.

2014 Outlook

The level of orders for new software licenses and CAD/CAM equipment in 2013 was weaker than expected, especially in Q4. Given that the order backlog at January 1 was €2.5 million below the prior year figure and given also the weak sales activity in January, Q1 2014 revenues are expected to be stable and income from operations down relative to Q1 2013, at around €48 million and €1.5 million, respectively.

However, there are now more customer projects in negotiation than at the beginning of 2013.The sales teams are now significantly larger. They have more senior profiles, and have received extensive training. Positive results should start to be felt from the second half onward, as recent recruits reach their full potential. The recruitment plan is ongoing and should achieve its final target between the end of the current year and June 30, 2015.

High Sensitivity to Exchange Rates

The company has based its 2014 scenarios on exchange rates of February 1, 2014, notably $1.35/€1. At the date of this report, the company has not hedged its currency exposure for 2014.

The conversion of 2013 results to 2014 exchange rates on which the 2014 scenarios are based have the effect of reducing revenues and income from operations before non-recurring items by €2.6 million and €1.3 million, respectively, to €200.4 million and €16.2 million; the operating margin before non-recurring items decreases by 0.5 percentage point to 8.1%.

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

Key Financial Metrics

Key financial metrics of the 2014 plan are (like-for-like variations):

- keeping gross profit margins on the different product lines at their 2013 levels;
- an increase of around 4.5% to 5.5% in recurring revenues. Recurring contracts are expected to increase by around 3.5% to 4.5%, and sales of spare parts and consumables by 5.5% to 6.5%, given the increase in the installed base and the activity and output at customer firms;
- fixed overhead costs of around €124 million, up €8 million (+7%) relative to 2013. Of this €124 million, €16 million, or 13%, is attributable to the company's transformation plan;
- a security ratio (i.e. the percentage of annual fixed overhead costs covered by gross profit on recurring revenues) of 77%.

As in previous years, the main uncertainty concerns revenues from new systems sales. Visibility remains limited, calling for continuing caution.

The company's objective is to reach, at the minimum, total revenues of approximately €214 million (+7% relative to 2013) for the fiscal year, income from operations before non-recurring items of around €18 million (+10%), an operating margin before non-recurring items of 8.3% (increasing slightly), and net income of around €12.5 million (unchanged at actual exchange rates, excluding 2013 non-recurring items).

Nevertheless, the company, if macroeconomic risks abate, leading to a revival of customers' capital expenditures, and by capitalizing on the expected returns of its transformation plan, hopes to exceed these figures and partly make good the shortfall relative to its initial plan. 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 continue to exceed net income less the net amount of the French research tax credit and competitiveness and employment tax credit recognized or reimbursed in 2014.

The Company is Confident in its Medium-Term Growth Prospects

The company entered 2014 with even more solid operating fundamentals than in 2013 and an even stronger balance sheet.

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

The Board of Directors

February 11, 2014

Company Certification of the Fourth Quarter and Fiscal Year 2013 Report

We certify that, to our knowledge, the financial statements have been prepared in accordance with currently applicable accounting standards and provide a fair view of the assets, financial condition, and results of the company and of its consolidated companies. We further certify that the report on operations for the fourth quarter and for the fiscal year 2013 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 11, 2014

Daniel Harari	Jérôme Viala
Chief Executive Officer	Chief Financial Officer

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

As at December 31 (in thousands of euros)	2013	2012 (1)
Goodwill	29,986	31,132
Other intangible assets	4,403	4,273
Property, plant and equipment	13,328	12,959
Non-current financial assets	2,121	1,871
Deferred tax assets	7,171	8,791
Total non-current assets	57,009	59,026
Inventories	20,748	22,756
Trade accounts receivable	50,269	45,149
Other current assets	28,999	22,108
Cash and cash equivalents	29,534	20,966
Total current assets	129,550	110,979
Total assets	186,559	170,005

EQUITY AND LIABILITIES

(in thousands of euros)	2013	2012 (1)
Share capital	29,664	28,948
Share premium	5,043	2,600
Treasury shares	(83)	(380)
Currency translation adjustments	(8,721)	(8,840)
Retained earnings and net income	57,926	42,676
Total equity	83,829	65,004
Retirement benefit obligations	7,419	6,872
Borrowings, non-current portion	394	892
Total non-current liabilities		
Trade and other current payables	45,109	44,265
Deferred revenues	43,008	41,911
Current income tax liabilities	2,391	1,545
Borrowings, current portion	500	5,834
Provisions for other liabilities and charges	3,909	3,682
Total current liabilities	94,917	97,237
Total equity and liabilities	186,559	170,005

(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 December 31, 2012 (see note 2 "Summary of accounting rules and methods").

CONSOLIDATED INCOME STATEMENT

(in thousands of euros)	Three months ended December 31, 2013	Twelve months ended December 31, 2013	Three months ended December 31, 2012 [(1)]	Twelve months ended December 31, 2012 [(1)]
Revenues	53,035	203,032	51,107	198,436
Cost of goods sold	(15,062)	(56,550)	(13,865)	(53,475)
Gross profit	37,973	146,482	37,242	144,961
Research and development	(3,247)	(12,503)	(3,015)	(11,536)
Selling, general and administrative expenses	(30,483)	(116,511)	(29,111)	(114,090)
Income (loss) from operations before non-recurring items	4,243	17,468	5,116	19,335
Non-recurring income	-	11,124	-	-
Goodwill impairment	(702)	(702)	-	-
Income (loss) from operations	3,541	27,890	5,116	19,335
Financial income	130	234	59	318
Financial expenses	(96)	(500)	(363)	(1,336)
Foreign exchange income (loss)	69	(541)	(112)	(287)
Income (loss) before tax	3,645	27,084	4,700	18,030
Income tax	(719)	(5,309)	(1,106)	(4,705)
Net income (loss)	2,926	21,775	3,594	13,325

(in euros)				
Earnings per share				
- basic	0.10	0.75	0.12	0.46
- diluted	0.10	0.73	0.12	0.46
Shares used in calculating earnings per share				
- basic	29,401,911	29,116,988	28,853,624	28,806,716
- diluted	30,202,642	29,664,802	29,332,311	29,280,673

STATEMENT OF COMPREHENSIVE INCOME

(in thousands of euros)	Three months ended December 31, 2013	Twelve months ended December 31, 2013	Three months ended December 31, 2012 [(1)]	Twelve months ended December 31, 2012 [(1)]
Net income (loss)	2,926	21,775	3,594	13,325
Currency translation adjustments	119	119	(186)	(24)
Effective portion of the change in fair value of interest-rate swaps	-	-	59	326
Tax effect	-	-	(20)	(109)
Other comprehensive income (loss) to be reclassified in net income (loss)	119	119	(147)	193
Actuarial gains (losses) on defined benefit pension liabilities	(553)	(574)	(1,175)	(2,096)
Tax effect	188	192	343	574
Other comprehensive income (loss) not to be reclassified in net income (loss)	(365)	(382)	(832)	(1,522)
Comprehensive income (loss)	2,680	21,512	2,615	11,996

(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 December 31, 2012 (see note 2 "Summary of accounting rules and methods").

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of euros)	Twelve months ended December 31, 2013	Twelve months ended December 31, 2012 (1)
I - OPERATING ACTIVITIES		
Net income (loss)	21,775	13,325
Net depreciation, amortization and provisions	8,009	6,937
Non-cash operating expenses	517	(19)
Loss (profit) on sale of fixed assets	(17)	(39)
Changes in deferred income taxes, net value	1,393	1,053
Changes in inventories	584	(1,974)
Changes in trade accounts receivable	(5,005)	3,711
Changes in other current assets and liabilities	(4,680)	(6,674)
Net cash provided by (used in) operating activities (2)	22,575	16,320
II - INVESTING ACTIVITIES		
Purchases of intangible assets	(1,879)	(1,278)
Purchases of property, plant and equipment	(2,915)	(3,786)
Proceeds from sales of intangible assets and property, plant and equipment	37	169
Purchases of financial assets (3)	(2,407)	(861)
Proceeds from sales of financial assets (3)	2,177	973
Net cash provided by (used in) investing activities	(4,987)	(4,783)
III - FINANCING ACTIVITIES		
Proceeds from issuance of ordinary shares	3,159	156
Dividends paid	(6,377)	(6,330)
Purchases of treasury shares	(1,389)	(537)
Sales of treasury shares	1,827	772
Repayments of long term and short term borrowings	(5,834)	(10,934)
Net cash provided by (used in) financing activities	(8,614)	(16,873)
Increase (decrease) in cash and cash equivalents	8,974	(5,336)
Cash and cash equivalents at opening	20,966	26,320
Increase (decrease) in cash and cash equivalents	8,974	(5,336)
Effect of the consolidation of Lectra Morocco	-	137
Effect of changes in foreign exchange rates	(406)	(155)
Cash and cash equivalents at closing	29,534	20,966
Free cash flow before non-recurring items	6,464	11,537
Non-recurring items of the free cash flow	11,124	-
Free cash flow	17,588	11,537
Income tax paid (reimbursed), net	2,834	3,342
Interest paid	15	626

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

(2) At December 31, 2013, the net cash provided by operating activities includes €11,124,000 of non-recurring elements (see note 8).

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in thousands of euros, except for par value per share expressed in euros)	Share capital: Number of shares	Share capital: Par value per share	Share capital: Total par value	Share premium	Treasury shares	Currency translation adjustments	Retained earnings and net income	Equity
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)							21,775	21,775
Other comprehensive income (loss)						119	(382)	(263)
Comprehensive income (loss)							21,393	21,512
Exercised stock options	716,100	1.00	716	2,443				3,159
Fair value of stock options							140	140
Sale (purchase) of treasury shares					297			297
Profit (loss) on treasury shares							94	94
Dividends paid							(6,377)	(6,377)
Balance at December 31, 2013	29,664,415	1.00	29,664	5,043	(83)	(8,721)	57,926	83,829

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

The company's technology 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 and apparel 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 1,430 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 90% of its revenues directly in 2013. 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 780 employees dedicated to marketing, sales and services in the world. It employs 250 engineers dedicated to R&D, and nearly 160 employees in industrial purchasing, assembly and testing of CAD/CAM equipment, and logistics.

Business Model

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

- revenues from new systems sales, the company's growth driver, comprising new software licenses, CAD/CAM equipment, related services, and punctual maintenance and support interventions;
- recurring revenues, a key factor in the company's stability, acting as a cushion in periods of slow overall economic growth, 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, corresponding to statistically recurring revenues generated by the installed base.

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 consolidated financial statements at December 31, 2013 have been prepared in accordance with the same rules and methods as those applied in the preparation of the 2012 financial statements, with the exception of the two standards presented below. They have been prepared under the responsibility of the Board of Directors that reviewed and approved them at its meeting of February 11, 2014. 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 February 25, 2014, which will approve the notes to the consolidated financial statements. The Q4 financial statements have not been reviewed separately by the statutory auditors.

The other standards and interpretations adopted by the European Union as of January 1, 2013 had no impact on the Group's financial statements. The Group has not early-adopted any standards, amendments or interpretations whose application is not required for fiscal years starting from January 1, 2013.

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 December 31, 2012, in 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	Twelve months ended December 31, 2012 published	Twelve months ended December 31, 2012 restated
Revenues	198,436	198,436
Cost of goods sold	(53,475)	(53,475)
Gross profit	144,961	144,961
Research and development	(11,536)	(11,536)
Selling, general and administrative expenses	(113,611)	(114,090)
Income (loss) from operations	19,814	19,335
Income (loss) before tax	18,509	18,030
Income tax	(4,865)	(4,705)
Net income (loss)	13,644	13,325

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 establishement 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 that combine countries with similar economic characteristics in terms of type of product and service, customer type and distribution method. The regions concerned are: the Americas, Europe, Asia-Pacific, and the Rest of the World, where the company operates chiefly in Northern Africa, South Africa, Turkey, Israel, and the Middle East. These regions are involved in sales and the provision of services to their customers. They do not perform any industrial activities or R&D. They draw on centralized competencies and a wide array of functions that are pooled among all of the regions, including marketing, communication, logistics, procurement, 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 December 31, 2013, the Group's scope of consolidation comprised Lectra SA together with 27 fully-consolidated companies.

There was no change in the scope of consolidation in 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 December 31, 2013, their combined revenues totaled €1 million, and their combined assets in their statement of financial position totaled €1.7 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 December 31, 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 Lectra's determination 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 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 Q4 2013

Income statement at constant exchange rates

	Three Months Ended December 31				
	2013		2012 [1]	Changes 2013/2012	
(in thousands of euros)	Actual	At 2012 exchange rates	Actual	Actual	Like-for-like
Revenues	53,035	55,018	51,107	+4%	+8%
Cost of goods sold	(15,062)	(15,240)	(13,865)	+9%	+10%
Gross profit	37,973	39,778	37,242	+2%	+7%
(in % of revenues)	71.6%	72.3%	72.9%	-1.3 points	-0.6 point
Research and development	(3,247)	(3,247)	(3,015)	+8%	+8%
Selling, general and administrative expenses	(30,483)	(31,390)	(29,111)	+5%	+8%
Income from operations before non-recurring items	4,243	5,141	5,116	-17%	0%
(in % of revenues)	8.0%	9.3%	10.0%	-2.0 points	-0.7 point
Non-recurring income	-	-	-	na	na
Goodwill impairment	(702)	(702)	-	na	na
Income from operations	3,541	4,439	5,116	-31%	-13%
(in % of revenues)	6.7%	8.1%	10.0%	-3.3 points	-1.9 points
Profit before tax	3,645	4,543	4,700	-22%	-3%
Income tax	(719)	na	(1,106)	-35%	na
Net income	2,926	na	3,594	-19%	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 December 31, 2012 (see note 2 "Summary of accounting rules and methods").*

5.2 Fiscal Year 2013

Income statement at constant exchange rates

	Twelve Months Ended December 31				
	2013		2012 [1]	Changes 2013/2012	
(in thousands of euros)	Actual	At 2012 exchange rates	Actual	Actual	Like-for-like
Revenues	203,032	209,184	198,436	+2%	+5%
Cost of goods sold	(56,550)	(57,189)	(53,475)	+6%	+7%
Gross profit	146,482	151,995	144,961	+1%	+5%
(in % of revenues)	72.1%	72.7%	73.1%	-1.0 point	-0.4 point
Research and development	(12,503)	(12,503)	(11,536)	+8%	+8%
Selling, general and administrative expenses	(116,511)	(119,294)	(114,090)	+2%	+5%
Income from operations before non-recurring items	17,468	20,199	19,335	-10%	+4%
(in % of revenues)	8.6%	9.7%	9.7%	-1.1 points	0.0 point
Non-recurring income	11,124	11,124	-	na	na
Goodwill impairment	(702)	(702)	-	na	na
Income from operations	27,890	30,621	19,335	+44%	+58%
(in % of revenues)	13.7%	14.6%	9.7%	+4.0 points	+4.9 points
Profit before tax	27,084	29,814	18,030	+50%	+65%
Income tax	(5,309)	na	(4,705)	+13%	na
Net income	21,775	na	13,325	+63%	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 December 31, 2012 (see note 2 "Summary of accounting rules and methods").*

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

6.1 Q4 2013

Revenues by geographic region

(in thousands of euros)	2013 Actual	2013 %	2013 At 2012 exchange rates	2012 Actual	2012 %	Changes 2013/2012 Actual	Changes 2013/2012 Like-for-like
Europe, of which :	22,739	43%	22,824	23,339	46%	-3%	-2%
- France	4,002	8%	4,002	4,625	9%	-13%	-13%
Americas	13,646	26%	14,442	13,926	27%	-2%	+4%
Asia-Pacific	13,278	25%	14,176	10,559	21%	+26%	+34%
Other countries	3,373	6%	3,576	3,282	6%	+3%	+9%
Total	53,035	100%	55,018	51,107	100%	+4%	+8%

Three Months Ended December 31

Revenues by product line

(in thousands of euros)	2013 Actual	2013 %	2013 At 2012 exchange rates	2012 Actual	2012 %	Changes 2013/2012 Actual	Changes 2013/2012 Like-for-like
Software, of which :	13,548	25%	14,037	14,412	28%	-6%	-3%
- New licenses	4,987	9%	5,199	6,202	12%	-20%	-16%
- Software evolution contracts	8,561	16%	8,838	8,211	16%	+4%	+8%
CAD/CAM equipment	15,336	29%	15,900	12,813	25%	+20%	+24%
Hardware maintenance and on-line services contracts	8,829	17%	9,163	9,089	18%	-3%	+1%
Consumables and spare parts	12,590	24%	13,068	12,148	24%	+4%	+8%
Training and consulting services	2,195	4%	2,283	2,136	4%	+3%	+7%
Miscellaneous	537	1%	567	509	1%	+6%	+12%
Total	53,035	100%	55,018	51,107	100%	+4%	+8%

Three Months Ended December 31

Breakdown of revenues between new systems sales and recurring revenues

(in thousands of euros)	2013 Actual	2013 %	2013 At 2012 exchange rates	2012 (3) Actual	2012 (3) %	Changes 2013/2012 Actual	Changes 2013/2012 Like-for-like
Revenues from new systems sales(1)	23,056	43%	23,949	21,660	42%	+6%	+11%
Recurring revenues(2), of which :	29,979	57%	31,069	29,448	58%	+2%	+6%
- Recurring contracts	17,390	33%	18,002	17,300	34%	+1%	+4%
- Consumables and spare parts	12,590	24%	13,068	12,148	24%	+4%	+8%
Total	53,035	100%	55,018	51,107	100%	+4%	+8%

Three Months Ended December 31

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

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

(3) Revenues from punctual interventions, which appeared under "Recurring Revenues" in 2012 for an amount of €447,000, 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 Fiscal Year 2013

Revenues by geographic region

(in thousands of euros)	2013 Actual	2013 %	2013 At 2012 exchange rates	2012 Actual	2012 %	Changes 2013/2012 Actual	Changes 2013/2012 Like-for-like
Europe, of which :	89,169	44%	89,508	93,797	47%	-5%	-5%
- France	16,560	8%	16,560	19,130	10%	-13%	-13%
Americas	55,017	27%	57,380	50,188	26%	+10%	+14%
Asia-Pacific	44,427	22%	47,128	41,972	21%	+6%	+12%
Other countries	14,419	7%	15,168	12,479	6%	+16%	+22%
Total	203,032	100%	209,184	198,436	100%	+2%	+5%

Twelve Months Ended December 31

Revenues by product line

(in thousands of euros)	2013 Actual	2013 %	2013 At 2012 exchange rates	2012 Actual	2012 %	Changes 2013/2012 Actual	Changes 2013/2012 Like-for-like
Software, of which :	53,562	27%	55,034	55,313	28%	-3%	-1%
- New licenses	20,056	10%	20,676	23,374	12%	-14%	-12%
- Software evolution contracts	33,506	17%	34,359	31,939	16%	+5%	+8%
CAD/CAM equipment	54,613	27%	56,322	52,225	26%	+5%	+8%
Hardware maintenance and on-line services contracts	35,508	17%	36,590	35,533	18%	0%	+3%
Consumables and spare parts	49,108	24%	50,604	45,606	23%	+8%	+11%
Training and consulting services	8,351	4%	8,654	7,834	4%	+7%	+10%
Miscellaneous	1,891	1%	1,981	1,925	1%	-2%	+3%
Total	203,032	100%	209,184	198,436	100%	+2%	+5%

Twelve Months Ended December 31

Breakdown of revenues between new systems sales and recurring revenues

(in thousands of euros)	2013 Actual	2013 %	2013 At 2012 exchange rates	2012 (3) Actual	2012 (3) %	Changes 2013/2012 Actual	Changes 2013/2012 Like-for-like
Revenues from new systems sales(1)	84,910	42%	87,632	85,359	43%	-1%	+3%
Recurring revenues(2), of which :	118,122	58%	121,553	113,078	57%	+4%	+7%
- Recurring contracts	69,013	34%	70,949	67,472	34%	+2%	+5%
- Consumables and spare parts	49,108	24%	50,604	45,606	23%	+8%	+11%
Total	203,032	100%	209,184	198,436	100%	+2%	+5%

Twelve Months Ended December 31

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

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

(3) Revenues from punctual interventions, which appeared under "Recurring Revenues" in 2012 for an amount of €1,671,000, 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

	Twelve Months Ended December 31						
	2013			2012 [1]		Changes 2013/2012	
(in thousands of euros)	Actual	%	At 2012 exchange rates	Actual	%	Actual	Like-for-like
Fashion and apparel	39,627	47%	40,941	42,083	49%	-6%	-3%
Automotive	35,275	41%	36,470	31,335	37%	+13%	+16%
Furniture	5,646	7%	5,775	5,827	7%	-3%	-1%
Other industries	4,363	5%	4,446	6,114	7%	-29%	-27%
Total	84,910	100%	87,632	85,359	100%	-1%	+3%

(1) *Revenues from punctual interventions, which appeared under "Recurring Revenues" in 2012 for an amount of €1,671,000, 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

Twelve months ended December 31, 2013 (in thousands of euros)	Europe	Americas	Asia-Pacific	Other countries	Corporate segment	Total
Revenues	89,169	55,017	44,427	14,419	-	203,032
Income (loss) from operations before non-recurring items	8,034	2,255	(136)	1,791	5,524	17,468

Twelve months ended December 31, 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 before non-recurring items [1] [2]	10,684	1,958	(4)	1,548	5,149	19,335

(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 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 December 31, 2012 (see note 2 "Summary of accounting rules and methods").*

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

8. CONSOLIDATED CASH FLOW SUMMARY

Twelve months ended December 31, 2013 (in millions of euros)	Cash and cash equivalents	Financial debts	Net cash (+) Net debt (–)
Free cash flow before non-recurring items	6.5	-	6.5
Non-recurring items included in free cash flow	11.1	-	11.1
Proceeds from issuance of ordinary shares (1)	3.2	-	3.2
Sale and purchase of treasury shares (2)	0.4	-	0.4
Dividends paid	(6.4)	-	(6.4)
Change in borrowings	(5.8)	5.8	-
Impact of currency variations - other	(0.4)	-	(0.4)
Change in cash position for the period	8.6	5.8	14.4
Cash position at December 31, 2012	21.0	(6.7)	14.2
Cash position at December 31, 2013	29.5	(0.9)	28.6
Change in cash position for the period	8.6	5.8	14.4

(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 at December 31, 2013, amounted to €6.5 million. This figure results from a combination of €11.5 million in cash flows provided by operating activities (including an increase in working capital requirement of €9.1 million) and of €5 million in investing activites. 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:

– +€5 million mainly corresponding to an increase in trade accounts receivable, for the most part due to revenues in November and December 2013 increasing compared to the same months of 2012;
– -€0.6 million corresponding to a decrease in inventories;
– +€6.6 million arising from the receivable on the French tax administration (*Trésor public*) corresponding to the (French) research tax credit receivable for 2013, accounted for but not received, after deduction of the corporate income tax due by Lectra SA for the same period;
– -€1.9 million arising from the increase in trade payables.

Finally, no change in other current assets and liabilities, taken individually, is material.

The working capital requirement at December 31, 2013, amounted to €9.5 million. It comprised a receivable of €22.3 million on the French tax administration in respect of the research tax credit, which has not been received and has not been deducted from the current income tax expense (see note 9 hereafter). Restated for this receivable, the working capital requirement was negative at €12.8 million, which is a key feature of the Group’s business model.

9. RESEARCH TAX CREDIT – COMPETITIVENESS AND EMPLOYMENT TAX CREDIT

As at December 31, 2013, the company Lectra SA held a €22.3 million receivable on the French tax administration. This comprised the research tax credit recognized in 2013 (€6.7 million), in 2012 (€5.7 million), in 2011 (€6.2 million) and the balance outstanding (€3.8 million) of the research tax credit accounted for in 2010 after deduction from corporate income tax due by Lectra SA in respect of 2013 and previous fiscal years.

Lectra SA accounted for the first time in 2013 for a competitiveness and employment tax credit receivable (€0.5 million), which was fully deducted from corporate income tax due in respect of 2013. This tax credit should represent €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

Since January 1, 2013, the company has purchased 233,215 shares and sold 307,091 shares at an average price of €5.96 and €5.95 respectively under the Liquidity Agreement administered by Exane BNP Paribas.

At December 31, 2013, the company held 10,408 Lectra shares (i.e. 0.04% of the share capital) with an average purchase price of €8.01 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, 2013	As at December 31, 2012
Cash and cash equivalents	29,534	20,966
Total borrowings	(894)	(6,726)
Net cash	28,640	14,240

The Group's net cash increased by €14.4 million in 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 December 31, 2013, 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	-	-	-	-
Interest-free repayable advances	500	394	-	894
Total	500	394	-	894

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)	December 31, 2013	December 31, 2012
Balance of loan outstanding at opening	5,360	15,920
Contractual repayments	-	(560)
Early repayments (at company's initiative)	(5,360)	(10,000)
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.

In 2013, the average parity between the US dollar and the euro was $1.33/€1.

Exchange Risk Hedging Instruments

Exchange risk hedging instruments as at December 31, 2013, are comprised of forward sales or purchases of foreign currencies (mainly US dollars, British pounds, Romanian lei, Russian ruble) for a net total equivalent value (sales minus purchases) of €1.9 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 2014 scenarios on parities fixed on February 1 for the currencies in which the Group generates its revenues, in particular $1.35/€1. The parity at the date of this report is $1.37/€1.

In view of the estimated share of revenues and costs denominated in dollars or in currencies correlated with the dollar, a 5-cent rise in the euro against the dollar over the entire year (i.e. $1.40/€1) mechanically entails a fall in FY 2014 revenues of around €3 million and of €1.6 million in income from operations. Conversely, a 5-cent fall in the euro (i.e. $1.30/€1) 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.

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.