LECTRA

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS FOR FOURTH QUARTER AND FULL YEAR OF 2022

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, 2022.

The Statutory Auditors have performed their auditing procedures on the financial statements for the year and their certification report will be issued after the Board of Directors meeting on February 23, 2023.

To facilitate the analysis of the Group's results, the financial statements are compared to those published in 2021 and to the 2021 pro forma financial statement ("2021 Pro forma"), prepared by integrating the three acquisitions made in 2021 – Gerber Technology ("Gerber"), Neteven, and Gemini CAD Systems ("Gemini") – as if they had been consolidated from January 1, 2021, whereas they have been consolidated since June 1, July 28 and September 27, 2021 respectively.

Orders for new systems are reported using two indicators: on the one hand, the value of software sold separately under perpetual software licenses, equipment and accompanying software (also sold in the form of perpetual licenses) and non-recurring services; and on the other hand, the annual value of new subscriptions for software sold in Software-as-a-Service (SaaS) mode. These indicators are reported for all orders for new systems, including those booked by the companies acquired in 2021, and are compared to 2021 Pro forma amounts. The companies acquired – and Gerber in particular – did not track their orders prior to the acquisition. While the system to track Gerber orders using Lectra's strict rules was put in place following the acquisition, it has only provided precise information since October 1, 2021. Therefore, the amount indicated for orders in the 2021 Pro forma figures for the three companies acquired that year is equivalent to the corresponding figure for revenues, it being considered that there is generally a limited time between order intake and revenue recognition.

Comparisons between 2022 and 2021 are based solely on actual exchange rates due to the impossibility of calculating what the amounts would have been for the three acquisitions when using different exchange rates.

The detailed tables of orders for new systems, of revenues, and of the income statements for the fourth quarter and full year 2022 are provided in the additional information of this report, starting on page 12.

1. GREAT RESILIENCY IN A DEGRADED ENVIRONMENT

2022 was significantly marked by the war in Ukraine and its consequences. As soon as the conflict began, the Company decided to cease its operations in Russia, by suspending the activity of its subsidiary Lectra Russia and stopping all deliveries of products or services. The Group's direct exposure to Ukraine and Russia is low; the contribution of these two countries in 2021 accounted for less than 1 percent of revenues.

This war has accelerated price increases, energy shortfalls and shortages in some raw materials. However, their impact on the Group's financial statements was limited due to its low exposure to energy costs and a limited dependency on those raw materials affected the most.

The Group also adjusted sale prices to compensate for the increase in its production costs in January and in July.

In addition, the COVID-19 epidemic in China, involving very strict lockdowns and then, following the change in strategy, a surge in contaminations late in the year, had a negative impact on business in Asia, and particularly in China.

The climate of uncertainty since the year began was intensified during the second half of the year by growing fears of recession in many countries.

These situations have led some of the Group's customers to reduce their investment budgets to cope with cost increases, shortages, or potential reductions in activity, while others have postponed purchasing decisions until their business environment and visibility improve.

Finally, since the beginning of 2022, the dollar has significantly strengthened against the euro. With a yearly average exchange rate of $1.05/€1, the dollar was up 12% compared to 2021. This change and other currency changes mechanically increased revenues by roughly 7%.

In this environment, the Group has once again demonstrated its resiliency, with strong earnings growth.

2. SUMMARY FOR Q4 2022

In Q4 2021, the Gerber, Neteven and Gemini accounts were consolidated for the entire period. As a result, the published figures and the 2021 Pro forma figures were identical.

In a particularly difficult macroeconomic environment, orders for perpetual software licenses, equipment and accompanying software, and non-recurring services (48.7 million euros) decreased by 13% compared to Q4 2021. This decline is attributable to the decrease recorded in Asia-Pacific, particularly in China owing to the impact of COVID-19, and in the countries of Northern and Eastern Europe, which, because of their geographical situation, are more exposed to the economic and social consequences of the war in Ukraine.

At the same time, orders for new software subscriptions (equivalent to 3.4 million euros in annual revenues) increased by 68%, again confirming the success and excellent adoption of these products.

Q4 2022 revenues totaled 129.9 million euros and increased by 3%.

EBITDA before non-recurring items (23.5 million euros) increased by 8% and the EBITDA margin before non-recurring items was 18.1% (+0.8 percentage points).

Income from operations before non-recurring items amounted to 15.7 million euros, up 6% compared to Q4 2021. This includes a 3.1-million-euro charge for amortization of intangible assets arising from the acquisitions of Gerber, Neteven and Gemini, and from the activity of Glengo Teknoloji.

Non-recurring charges include a provision for other liabilities of 2.0 million euros (corresponding to a proposed adjustment of the 2018 and 2019 research tax credits by the tax authorities) and 0.4 million euros relating to the acquisition of Gerber.

Net income was 8.4 million euros, down 26% compared to Q4 2021.

Free cash flow before non-recurring items came to 12.1 million euros (13.9 million euros in Q4 2021). After disbursement of 0.8 million euros during the quarter in respect of non-recurring charges, free cash-flow came to 11.3 million euros.

2.1 Acquisition of the majority of the capital of TextileGenesis

On December 8, 2022, Lectra announced the signature of an agreement to acquire the majority of the capital and voting rights of the Dutch company TextileGenesis.

Founded in 2018, TextileGenesis provides a SaaS platform that enables fashion brands and sustainable textile manufacturers to ensure a reliable, secure and fully digital mapping of their textiles, from the fiber to the consumer, and thereby guarantee their authenticity and origins.

The transaction, which involves the acquisition of 51% of TextileGenesis for 15.2 million euros, was finalized on January 9, 2023. The acquisition of the remaining share capital and voting rights is expected to take place in two stages, in 2026 and 2028, for an amount that will be calculated based on a multiple of the 2025 and 2027 recurring revenues.

As the revenues and results for 2022 of TextileGenesis were not material relative to the revenues and results of the Group, preparation of pro forma accounts for 2022 is not required.

3. CONSOLIDATED FINANCIAL STATEMENTS FOR 2022

2022 revenues (521.9 million euros) and EBITDA before non-recurring items (98.4 million euros) were in the range of the objectives published in February 2022, as fine-tuned in July and confirmed in October.

Revenues increased by 35% and EBITDA before non-recurring items by 51% compared to the financial statements published in 2021.

The EBITDA margin before non-recurring items was 18.8%.

Income from operations before non-recurring items amounted to 68.5 million euros (44.4 million euros in 2021), up 54%. This includes an 11.8-million-euro charge for amortization of intangible assets arising from the acquisitions of Gerber, Neteven, Gemini, and of the activity of Glengo Teknoloji.

After recognizing a non-recurring charge of 4.0 million euros in 2022 for impairment of the Group's net assets in Russia (0.9 million euros), for costs relating to the acquisition of Gerber (1.2 million euros) and for a provision for other liabilities, corresponding to a proposed adjustment of the 2018 and 2019 research tax credits (2.0 million euros), income from operations amounted to 64.5 million euros.

Financial income and expenses represented a net charge of 3.7 million euros. Foreign exchange gains and losses generated a net loss of 1.8 million euros. After an income tax expense of 15.1 million euros, net income totaled 43.8 million euros, up by 55%.

Net earnings per share were €1.18 on basic capital and €1.16 on diluted capital (€0.80 on basic capital and €0.78 on diluted capital in 2021).

Free cash flow before non-recurring items (43.7 million euros) was down slightly compared to 2021 (47.5 million euros) due to a temporary increase in working capital requirement. This increase stems from the payment in 2022 of the variable portion of compensation and the incentive plan for 2021, which were 10.6 million euros higher than the amount paid in 2021 in respect of 2020 performance, from the 15.3 million euro increase in inventories since January 1 to cover mainly the risk of shortages in certain components, and from the fact that the balance of the 2018 research tax credit (5.0 million euros) has not been received due to the ongoing tax audit (the balance of the 2017 research tax credit, in the amount of 4.5 million euros, having been received in 2021).

After disbursement of 3.4 million euros in respect of non-recurring charges, free cash-flow came to 40.3 million euros.

3.1 Comparison to the 2021 Pro forma

New system orders stable

In 2022 orders for perpetual software licenses, equipment and accompanying software, and non-recurring services (202.5 million euros) were stable compared to the amount of 2021 Pro forma orders.

Orders for perpetual software licenses (18.5 million euros) and non-recurring services (22.9 million euros) increased by 10% and 9%, respectively, while those for equipment and accompanying software (161.1 million euros) decreased by 2%.

Geographically, orders for perpetual software licenses, equipment and accompanying software, and non-recurring services increased by 16% in the Americas and decreased by 4% in Europe and by 15% in Asia-Pacific (of which 22% in China). They increased by 31% in the rest of the world (including Northern Africa, South Africa, Turkey, and the Middle East …).

They increased by 36% in the automotive market. They decreased by 2% in the fashion market, 32% in the furniture market and 17% in the other industries.

The annual value of new software subscription orders came to 9.6 million euros, up 34% compared to the 2021 Pro forma and an increase in all regions.

Very strong growth in earnings

Despite the negative impact of the war in Ukraine and the management of the COVID-19 epidemic in China, revenues (521.9 million euros) increased by 12% compared to the 2021 Pro forma.

Revenues from software licenses, equipment and accompanying software, and non-recurring services

Revenues from perpetual software licenses, equipment and accompanying software, and non-recurring services (208.8 million euros) increased by 10%. This item contributed 40% of revenues (41% in 2021), and included mainly:

- perpetual software licenses (18.4 million euros), which increased by 8% and accounted for 4% of revenues (4% in 2021);
- equipment and accompanying software (170.2 million euros), which increased by 11% and accounted for 33% of revenues (33% in 2021);
- training and consulting (15.3 million euros), which increased by 8% and accounted for 3% of revenues (3% in 2021).

Accordingly, at December 31, 2022, the order backlog for perpetual software licenses, equipment and accompanying software, and training and consulting amounted to 44.8 million euros. It decreased by 4.3 million euros compared to December 31, 2021.

Revenues from recurring contracts, and consumables and parts

Revenues from recurring contracts, which represented 32% of revenues (32% in 2021), totaled 168.4 million euros, a 13% increase:

- software subscriptions (21.0 million euros), up 58%, represented 4% of revenues (3% in 2021);
- software maintenance contracts (52.9 million euros), up 5%, represented 10% of revenues (11% in 2021);
- equipment and accompanying software maintenance contracts (94.6 million euros), up 11%, represented 18% of revenues (18% in 2021).

In parallel, revenues from consumables and parts (144.7 million euros) were up 12% and represented 28% of revenues (27% in 2021).

Overall, recurring revenues (313.1 million euros) increased by 13%.

Gross profit

Gross profit amounted to 347.7 million euros, up 14% compared to the 2021 Pro forma.

The gross profit margin came to 66.6%, up 1.2 percentage points.

Personnel expenses and other operating expenses incurred in the execution of service contracts or in training and consulting are not included in the cost of goods sold but are accounted for in overhead costs.

Overhead costs

Overhead costs were 279.2 million euros, up 7% compared to the 2021 Pro forma. The breakdown was 255.1 million euros in fixed overhead costs (+12%) and 24.1 million euros in variable costs (-28%).

Research and development costs (52.9 million euros), which are fully expensed in the period and included in fixed overhead costs, represented 10.1% of revenues (50.8 million euros and 10.9% of revenues for the 2021 Pro forma). After deducting the research tax credit applicable in France and grants received, net research and development costs totaled 45.8 million euros (42.0 million euros for the 2021 Pro forma).

EBITDA before non-recurring items, income from operations before non-recurring items and net income

EBITDA before non-recurring items (98.4 million euros) increased by 35% and the EBITDA margin before non-recurring items (18.8%) by 3.2 percentage points relative to the 2021 Pro forma.

Income from operations before non-recurring items (68.5 million euros) increased by 50% and the operating margin before non-recurring items (13.1%) by 3.4 percentage points compared to the 2021 Pro forma.

Net income (43.8 million euros) increased by 64%.

3.2 Balance sheet at December 31, 2022

At December 31, 2022, the Group had a particularly robust balance sheet with a consolidated shareholders' equity of 452.2 million euros (400.8 million euros at December 31, 2021) and a positive net cash position of 11.4 million euros, less than two years after the acquisition of Gerber, consisting in financial debt of 119.3 million euros and cash of 130.6 million euros.

The working capital requirement at December 31, 2022 was a negative 6.3 million euros.

4. APPROPRIATION OF EARNINGS

Dividend at €0.48 per share

The Board of Directors will propose to the Shareholders' Meeting of April 28, 2023 the payment of a dividend at €0.48 per share in respect of fiscal year 2022, increased by 33%. This dividend would represent a payout ratio of 41% of consolidated net income, 38% of net income excluding non-recurring items, together with a yield of 1.4% based on the December 31, 2022, closing share price.

Subject to approval by the shareholders, the dividend will be made payable on May 5, 2023.

5. SHARE CAPITAL – OWNERSHIP – SHARE PRICE PERFORMANCE

Change in share capital

At December 31, 2022, the share capital came to €37,788,949, divided into 37,788,949 shares with a par value of €1.00.

Share capital increased by €45,990 (with a total share premium of €623,254) due to the creation of 45,990 shares since January 1, 2022, resulting from the exercise of stock options.

Main shareholders

On February 18, 2022, the Company was notified that AIPCF VI LG Funding (United States) had fallen below the 10% thresholds of share capital and of voting rights and held 9.01% of the share capital and 8.96% of the voting rights.

On February 23, 2022, the Company was notified that Fidelity Management and Research (United States) had exceeded the 5% thresholds of share capital and of voting rights and held 8.77% of the share capital and 8.73% of the voting rights.

On August 31, 2022, the Company was notified that the company Kabouter Management (United States) had fallen below the 5% thresholds of share capital and of voting rights and held 4.80% of the share capital and 4.77% of the voting rights.

On November 17, 2022, the Company was notified that the company Artisan Partners Limited Partnership (United States) had fallen below the 5% thresholds of share capital and of voting rights and held 4.99% of the share capital and 4.97% of the voting rights.

No other crossing of statutory thresholds has been reported to the Company since January 1, 2022.

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

- Daniel Harari holds 14.6% of the capital and 14.5% of the voting rights;
- AIPCF VI LG Funding (United States), Brown Capital Management (United States), Fidelity Management and Research (United States), and Kempen Oranje Participaties (The Netherlands), each hold more than 5% (and less than 10%) of the share capital and voting rights.

No other shareholder has reported holding more than 5% of the share capital and voting rights.

Treasury shares

At December 31, 2022, the Company held 0.08% of its own shares in treasury shares, solely within the framework of the liquidity agreement contracted with Natixis and ODDO BHF.

Lectra joins the new stock market index "Euronext Tech Leaders"

Having joined the new Euronext Tech Leaders stock market index, launched on June 7, 2022, Lectra is now one of the top 100 European technology leaders, of which 41 French companies, identified by Euronext as innovative and high-growth companies.

Share price performance and trading volumes

The Company's share price at December 31, 2022 was €35.20, down 16% compared to December 31, 2021 (€42.00). In 2022, it reached a low of €26.65 on September 30 and a high of €44.85 on March 31.

The market capitalization amounts to 1.33 billion euros at December 31, 2022 (1.59 billion euros at December 31, 2021).

The Euronext Tech Leaders index decreased by 29% for 2022. The CAC 40 index, CAC All-Tradable index and the CAC Mid & Small index decreased by 9%, 10% and 14% respectively.

According to Bloomberg, 18.5 million shares were traded on all platforms throughout the entire year (14.2 million in 2021), including 31% on Euronext.

The Company's shares are eligible for the Euronext Deferred Settlement Service (SRD), which allows French investors to defer settlement or delivery of shares.

In its press release of April 11, 2022, the Company confirmed that it is eligible for inclusion in French SME ("PEA-PME") equity savings plans. As a consequence, investment in Lectra shares can be made through PEA-PME savings accounts, a scheme specifically applicable to investments in small and mid-cap companies, benefiting from the same tax advantages as the traditional Equity Savings Plan (PEA).

6. SIGNIFICANT POST-CLOSING EVENTS SINCE DECEMBER 31, 2022

No significant event has occurred.

7. FINANCIAL CALENDAR

The Annual Shareholders' Meeting will take place on April 28, 2023.

First, second, and third quarter earnings for 2023 will be published on April 27, July 27, and October 25, 2023, respectively, after the close of trading on Euronext.

Full-year earnings for 2023 will be published on February 14, 2024.

8. BUSINESS TRENDS AND OUTLOOK

Launched in 2017, the Lectra 4.0 strategy aims to position the Lectra as a key Industry 4.0 player in its three strategic market sectors, fashion, automotive and furniture, before 2030. The strategy has been implemented up to now through two strategic roadmaps.

The first strategic roadmap, which covered the 2017-2019 period, established the key fundamentals for the future of the Group. These included the successful integration into its new offers of the key technologies for Industry 4.0 (cloud computing, the Internet of Things, big data, and artificial intelligence.), the strengthening of the Executive Committee, the transformation of sales organizations into four main regions, and the launch of the first software offers in SaaS mode.

The second roadmap, which ran from 2020 through 2022, achieved a new dimension for the Group – primarily through the acquisition of Gerber in June 2021 – and opened new perspectives, with a financial position stronger than ever before, a broader customer base, a powerful product portfolio, a growing number of customers using our new offers for Industry 4.0, and a new brand image.

The Lectra 4.0 strategy and the orientations of the 2023-2025 strategic roadmap are set out below.

8.1 Lectra 4.0: A long-term vision

Markets undergoing profound changes

Lectra customers throughout the world continue to be affected by changes in consumer behavior, the macroeconomic and geopolitical events of recent years and the growing importance of ethical commitment and sustainable development.

Fashion industry players must undertake far-reaching transformations in their distribution networks and supply chains, taking into account Corporate Social Responsibility (CSR) issues, and the continuous adjustment of their product range and positioning strategies. The fashion sector's main objective is to produce only the products it can actually sell, at the right price to meet customer demand.

Automotive suppliers face major challenges including inflation of raw materials and components, supply chain disruptions and logistical complexity. Furthermore, the progressive shift from internal combustion to electric vehicles with costly technologies is exerting pressure on their cost structure. As a consequence, carmakers must optimize in other areas – particularly in seats and interiors, which account for a significant portion of total costs – in order to preserve their margins. To remain competitive, suppliers have to boost the performance of their production tools and optimize material consumption.

Finally, furniture industry players are continuing to modernize, digitize and automate their industrial facilities, while also transforming their production methods and processes to give greater priority to on-demand production that can best meet the needs of their consumers.

Accelerating adoption of key Industry 4.0 technologies

Industry 4.0 calls for a new approach to organizing production plants based on communication across a configuration of increasingly flexible players and production tools, while optimizing the use of available resources.

The COVID-19 crisis, and its impact on consumer habits and ecosystems, are driving ever increasing structural changes in product value chains. These developments have substantially accelerated the digitization of processes from creation to point of sale; the introduction of modular, intelligent and communicating production lines; and the adoption of the key technologies for Industry 4.0. These preliminary steps will make it possible to exploit the full potential of the fourth industrial revolution, and then automate and continuously optimize all processes.

Ultimately, Industry 4.0 will be a major step forward in interconnecting all participants in the value chain, driving higher performance, making production lines more flexible, more agile and more capable of meeting demand for personalization.

Corporate Social Responsibility: an increasingly central role for all activities

No company can ignore ethical, environmental, social and societal issues in conducting its business. Increasing numbers of consumers are expressing their expectations in terms of product traceability, sustainability and ethics. More and more countries are introducing regulations to guarantee their origin and their content. And many employees, especially younger people joining the workforce, are voicing increased concerns regarding corporate values and working conditions.

To address these issues, organizations must reassess the way they operate and their decision-making processes. Eco-design of products will progressively become the norm, optimizing production systems will be a necessity, and transparency will be imperative. All players in the fashion, automotive and furniture industries will have to adjust to these new conditions.

Lectra's long-term strategy more relevant than ever before

Launched in 2017, the Lectra 4.0 strategy, which aims to position the Group as a key Industry 4.0 player in its three strategic market sectors before 2030, has proven its effectiveness. The four pillars of the strategy are even more relevant today, in light of the changing environment and the new demands made by the markets Lectra serves:

- Acknowledged premium positioning, further strengthened since the Gerber acquisition, based on high value-added solutions and services with strong business-line expertise;
- Focus on three strategic market sectors – fashion, automotive, and furniture – with a specific approach for each in terms of offers, organization and processes;
- Integration of customers into the heart of the Group’s activities, with a commitment from its teams to do everything in their power to enable customers to make optimal use of its solutions and accordingly increase customer satisfaction;
- The gradual market launch of new 4.0 services combining data analysis, Lectra’s expertise and artificial intelligence, to enable customers to continuously improve their operations.

For the Group's customers, Lectra's 4.0 strategy is reflected in the growing integration of key Industry 4.0 technologies in the product portfolio and new offers, particularly in software available exclusively in SaaS mode – and thus aligned with transformations in customers' business models. These offers – developed by Lectra's R&D teams, or resulting from the acquisitions of Kubix Lab, Retviews, Neteven and TextileGenesis – have already been adopted by over 900 customers since their initial release in 2018. They have major growth potential, and are only at the start of their lifecycle.

In order to further anchor its commitment to making a positive contribution to society, in line with recent developments in the environment and customer expectations, Lectra will reinforce the integration of ethical, environmental, social and societal standards in all its activities and practices by adding a fifth pillar to the Lectra 4.0 strategy: a committed CSR policy.

8.2 New strategic roadmap for 2023-2025

A new phase to further position Lectra as an Industry 4.0 leader

Lectra will continue to implement the Lectra 4.0 strategy over the next three years through a new strategic roadmap for 2023-2025.

The Group intends to take full advantage of its change in dimension to accelerate growth, to significantly increase the volume of SaaS in its revenues, and to seize acquisition opportunities. With the commitment and engagement of employees, and recognition by customers, Lectra will be at the forefront in building a more sustainable future.

Six strategic priorities

To achieve these objectives, the Group has set six strategic priorities for 2023-2025.

First, reinforce implementation of ethical, social, societal and environmental best practices both internally and for customers. Formalized in 2021, Lectra’s structured CSR policy will enable it to sustain growth while fully integrating the expectations of all stakeholders.

The Group will implement action plans to meet commitments in the following five categories:

- Adhere to the highest ethical standards;
- Design environmentally responsible offers;
- Promote a stimulating, inclusive and diverse work culture;
- Reduce the environmental footprint of its activities;
- Support future generations.

These commitments will be described in detail in the Annual Report for 2022.

Second, leverage all synergies arising from the Gerber acquisition. With this acquisition, Lectra's fundamentals have all been strengthened. No competitor can match Lectra's rich, robust, advanced experience in the key technologies of Industry 4.0 – or Lectra's business expertise, worldwide presence, customer base, leadership and business model.

Under the previous roadmap, initial synergies were achieved, following the integration plan that began on June 1, 2021.

By leveraging the potential of its expanded installed base, unifying R&D efforts, reorganizing industrial operations around three sites – Bordeaux-Cestas in France, Tolland in the United States, and Shanghai in China – and launching new joint offers, Lectra intends to maximize the impact of all these synergies to drive growth and profitability.

Third, accelerate the transition of software sales to the SaaS model.

Lectra generated over 20 million euros in revenues from software subscriptions in 2022.

The Group intends to pursue efforts to strengthen market penetration of its software offers sold in SaaS mode – and thus facilitate the progressive selling strategy –, by increasing sales and marketing programs to encourage customers to adopt or migrate to these offers, by intensifying prospecting actions, and by accelerating R&D investments to upgrade current offers and progressively launch new solutions that will further enhance the product portfolio.

The transition to the SaaS model provides numerous benefits for Lectra and customers alike, but also entails far-reaching transformations in terms of value proposition, business strategy, resources and processes.

Fourth, accelerate the transformation of the Group's customer relationship and customer engagement model.

Since the gradual rollout of customer success teams worldwide began in late 2019, customer satisfaction has increased. New roles have been created, including the Customer Success Manager, whose objective is to optimize customers' performance through the use of Lectra solutions.

With the change in the Group's dimension and the enrichment of its product portfolio, the customer engagement and customer relationship model will continue to evolve. The objective is to strengthen prospecting efforts, particularly for recently launched or acquired offers that cover new business processes for Lectra customers, increase customer satisfaction and loyalty, and maximize recurring revenues per customer.

Additional Customer Success Managers will be assigned in coming years to support a growing number of customers using an ever expanding range of Lectra solutions.

The responsibilities of some sales teams will also be adjusted to focus more time on prospecting actions.

Fifth, following on from the previous two roadmaps, continue to pursue external growth. Lectra thus privileges companies – mainly start-ups – that have technological building blocks capable of being incorporated into the existing product portfolio or have brought to market offers that could complete Lectra's current range of products.

In building expertise in areas beyond its core fashion operations, the Group will thus access additional growth drivers in the long-term, enabling it to sell more products to its customers.

Sixth, prepare Lectra for the 2026-2030 period, in order to achieve more rapidly and more efficiently its position as an indispensable player in Industry 4.0 in all three strategic market sectors.

A significant share of R&D investments – which will represent on average roughly 10% of 2023-2025 revenues – will be earmarked to developing new solutions that will be available starting in 2026.

Furthermore, in order to concentrate its efforts on the most promising activities going forward, the Group will progressively phase out certain non-strategic activities, which accounted for roughly 25 million euros in revenue in 2022, or less than 5% of the Group's revenues.

Finally, the Board of Directors will formally set out the next steps in the evolution of the Group's governance that will permit the successful execution of its long-term strategy.

These six strategic priorities provide the Group with a structure for the work required to achieve the ambitions of its strategic roadmap.

Financial objectives

Lectra's ambition is to achieve, in 2025, revenues of over 700 million euros (including 10% in SaaS revenues), combining both organic growth and acquisitions, and an EBITDA margin before non-recurring items of over 20%. These objectives were prepared on the basis of the closing exchange rates on December 30, 2022, in particular $1.07 to the euro.

The Company intends to keep its attractive shareholder payment policy with dividends that over the roadmap period should represent a payout ratio of about 40% of net income excluding non-recurring items.

Free cash flow generation will also contribute to financing the Group's internal development strategy and acquisitions, and the repayment of debt.

8.3 Outlook for 2023

In its financial report on the third quarter and first nine months of the year, which included a review of the 2020-2022 roadmap, the Group confirmed that the progress made during the period, as well as the acquisitions of 2021, and the Gerber acquisition in particular, had given the Group a new dimension and increased opportunities for continued growth.

While this new status enables Lectra to look ahead with confidence at its development over the medium term, the year 2023 remains unpredictable given the degraded macroeconomic and geopolitical environment, as numerous uncertainties could continue to weigh upon the investment decisions of the Group's customers. Still, the lifting of restrictions in China that was announced at the end of 2022, and which resulted in the reopening of the country at the start of the year, is expected to have a positive impact in 2023.

In a challenging context, the Group invested in 2022 to prepare for execution of its strategic roadmap for 2023-2025. By proceeding with two general salary increases during the year, it also decided to protect employees against the impact of inflation, thereby strengthening their engagement and commitment to the Group.

Despite the persistent lack of visibility for 2023, Lectra, which has a particularly strong balance sheet and a proven business model featuring a very high percentage of recurring revenues, will continue to invest in order to prioritize medium-term growth.

Because of an exceptionally large order backlog at January 1, 2022 (4.3 million euros higher than the backlog at January 1, 2023), and the very high amount of orders booked in January 2022, before the start of the war in Ukraine, revenues for the first quarter of 2023 are expected to be slightly lower than for the first quarter of 2022. Combined with the increase in overhead costs, this decline is expected to also lead to a decrease in EBIDTA before non-recurring items.

More generally, the contextual elements that affected the Group’s activity and results in 2022 were reflected heterogeneously over each quarter, making quarterly comparisons between 2023 and 2022 less relevant.

Impact of exchange rate fluctuations

The 2023 scenarios were prepared on the basis of the closing exchange rates on December 30, 2022, and particularly $1.07 to the euro ($1.05 / €1.00 on average in 2022).

Continuing or intensified appreciation of the euro against the dollar and many other currencies would mechanically have a negative impact on results. Translation of the 2022 results at the exchange rates used to define the 2023 objectives would reduce revenues and EBITDA before non-recurring items by 8.3 million euros and 3.9 million euros, respectively, to 513.6 and 94.5 million euros,

Sensitivity to fluctuations in the dollar-euro exchange rate is addressed in note 10 of the Notes to the Consolidated Financial Statements, appended hereto.

Financial objectives for 2023

In light of the above, Lectra has set its objectives for 2023, with revenues in the range of 522 to 576 million euros (+2% to +12% at constant exchange rates relative to 2022) and EBITDA before non-recurring items in the range of 90 to 113 million euros (-5% to +20% at constant exchange rates relative to 2022).

The Board of Directors
February 8, 2023

ADDITIONAL INFORMATION – FOURTH QUARTER 2022

ORDERS FOR NEW SYSTEMS – COMPARISONS AT ACTUAL EXCHANGE RATES

Perpetual software licenses, equipment and accompanying software and non-recurring services	Three Months Ended December 31				
	2022		2021		Changes 2022/2021
(in thousands of euros)	Actual	%	Pro forma (1)	%	Actual exchange rates
Perpetual software licenses	5,184	11%	4,392	8%	+18%
Equipment and accompanying software	36,944	76%	45,425	81%	-19%
Training and consulting services	5,821	12%	4,894	9%	+19%
Miscellaneous	764	1%	1,311	2%	-42%
Total	48,713	100%	56,022	100%	-13%
€ / $ average parity	*1.02*		*1.14*		

New software subscriptions	Three Months Ended December 31				
	2022		2021		Changes 2022/2021
(in thousands of euros)	Actual	%	Pro forma (1)	%	Actual exchange rates
Annual value of new software subscriptions	3,387	na	2,012	na	+68%
€ / $ average parity	*1.02*		*1.14*		

BREAKDOWN OF REVENUES – COMPARISONS AT ACTUAL EXCHANGE RATES

Revenue distribution by geographical market is reported on an indicative basis. Trends for the fiscal year cannot be extrapolated based on one single quarter.

Revenues by region	Three Months Ended December 31				
	2022		2021		Changes 2022/2021
(in thousands of euros)	Actual	%	Pro forma (1)	%	Actual exchange rates
Europe, of which:	41,348	32%	41,519	33%	0%
- France	7,883	6%	7,461	6%	+6%
Americas	49,061	38%	45,349	36%	+8%
Asia-Pacific	29,036	22%	30,955	25%	-6%
Other countries	10,416	8%	7,733	6%	+35%
Total	129,861	100%	125,555	100%	+3%
€ / $ average parity	*1.02*		*1.14*		

Revenues by type of business	Three Months Ended December 31				
	2022		2021		Changes 2022/2021
(in thousands of euros)	Actual	%	Pro forma (1)	%	Actual exchange rates
Revenues from perpetual software licenses, equipment and accompanying software, and non-recurring services, of which:	48,868	38%	52,405	42%	-7%
- Perpetual software licenses	4,675	4%	4,604	4%	+2%
- Equipment and accompanying software	39,068	30%	42,382	34%	-8%
- Training and consulting services	4,360	3%	4,108	3%	+6%
- Miscellaneous	764	1%	1,311	1%	-42%
Recurring revenues, of which:	80,993	62%	73,150	58%	+11%
- Software subscriptions	6,077	5%	4,068	3%	+49%
- Software maintenance contracts	13,423	10%	13,085	10%	+3%
- Equipment and accompanying software maintenance contracts	25,010	19%	22,292	18%	+12%
- Consumables and parts	36,483	28%	33,705	27%	+8%
Total	129,861	100%	125,555	100%	+3%
€ / $ average parity	*1.02*		*1.14*		

(1) Actual and Pro forma are identical for the period

CONSOLIDATED INCOME STATEMENT – COMPARISONS AT ACTUAL EXCHANGE RATES

	Three months ended December 31		
	2022	2021	Changes 2022/2021
(in thousands of euros)	Actual	Pro forma [1]	Actual exchange rates
Revenues	129,861	125,555	+3%
Cost of goods sold	(42,069)	(42,432)	-1%
Gross profit	87,792	83,123	+6%
(in % of revenues)	67.6%	66.2%	+1.4 points
Research and development	(12,677)	(11,148)	+14%
Selling, general and administrative expenses	(59,394)	(57,200)	+4%
Income from operations before non-recurring items	15,721	14,775	+6%
(in % of revenues)	12.1%	11.8%	+0.3 points
Non-recurring income	-	942	na
Non-recurring expenses	(2,406)	(688)	ns
Income from operations	13,315	15,029	-11%
(in % of revenues)	10.3%	12.0%	-1.7 points
Income before tax	11,418	13,816	-17%
Income tax	(2,992)	(2,391)	+25%
Net income	**8,425**	**11,425**	**-26%**
of which, Group share	**8,663**	**11,515**	**-25%**
of which, Non-controlling interests	(238)	(90)	ns
Income from operations before non-recurring items	15,721	14,775	+6%
+ Net depreciation and amortization of non-current assets	7,752	6,992	+11%
EBITDA before non-recurring items	23,473	21,766	+8%
(in % of revenues)	18.1%	17.3%	+0.8 points
€ / $ average parity	*1.02*	*1.14*	

(1) Actual and Pro forma are identical for the period

ADDITIONAL INFORMATION – FULL YEAR 2022

ORDERS FOR NEW SYSTEMS – COMPARISONS AT ACTUAL EXCHANGE RATES

1. Perpetual software licenses, equipment and accompanying software and non-recurring services

1.1. By product line

	Twelve Months Ended December 31				
	2022		2021		Changes 2022 /Pro forma 2021
(in thousands of euros)	Actual	%	Pro forma	%	Actual exchange rates
Perpetual software licenses	18,481	9%	16,810	8%	+10%
Equipment and accompanying software	161,095	80%	164,443	81%	-2%
Training and consulting services	17,963	9%	15,756	8%	+14%
Miscellaneous	4,919	2%	5,320	3%	-8%
Total	202,459	100%	202,329	100%	0%
€ / $ average parity	*1.05*		*1.18*		

1.2. By region

	Twelve Months Ended December 31				
	2022		2021		Changes 2022 /Pro forma 2021
(in thousands of euros)	Actual	%	Pro forma	%	Actual exchange rates
Europe	57,199	28%	59,307	29%	-4%
Americas	61,545	30%	52,941	26%	+16%
Asia-Pacific	64,225	32%	75,245	37%	-15%
Other countries	19,490	10%	14,837	8%	+31%
Total	202,459	100%	202,329	100%	0%
€ / $ average parity	*1.05*		*1.18*		

1.3. By market

	Twelve Months Ended December 31				
	2022		2021		Changes 2022 /Pro forma 2021
(in thousands of euros)	Actual	%	Pro forma	%	Actual exchange rates
Fashion	104,576	52%	106,899	53%	-2%
Automotive	59,727	30%	43,891	22%	+36%
Furniture	19,662	10%	29,125	14%	-32%
Other industries	18,494	9%	22,414	11%	-17%
Total	202,459	100%	202,329	100%	0%
€ / $ average parity	*1.05*		*1.18*		

New software subscriptions

	Twelve Months Ended December 31				
	2022		2021		Changes 2022 /Pro forma 2021
(in thousands of euros)	Actual	%	Pro forma	%	Actual exchange rates
Annual value of new software subscriptions	9,570	na	7,124	na	+34%
€ / $ average parity	*1.05*		*1.18*		

BREAKDOWN OF REVENUES – COMPARISONS AT ACTUAL EXCHANGE RATES

Revenues by region

	Twelve Months Ended December 31				
	2022		2021		Changes 2022 /Pro forma 2021
(in thousands of euros)	Actual	%	Pro forma	%	Actual exchange rates
Europe, of which:	159,065	31%	150,797	32%	+5%
- France	27,185	5%	25,636	5%	+6%
Americas	189,737	36%	159,419	34%	+19%
Asia-Pacific	132,805	25%	127,978	27%	+4%
Other countries	40,326	8%	29,791	7%	+35%
Total	521,934	100%	467,986	100%	+12%
€ / $ average parity	*1.05*		*1.18*		

Revenues by type of business

	Twelve Months Ended December 31				
	2022		2021		Changes 2022 /Pro forma 2021
(in thousands of euros)	Actual	%	Pro forma	%	Actual exchange rates
Revenues from perpetual software licenses, equipment and accompanying software, and non-recurring services, of which:	208,845	40%	190,324	41%	+10%
- Perpetual software licenses	18,365	4%	16,987	4%	+8%
- Equipment and accompanying software	170,220	33%	153,777	33%	+11%
- Training and consulting services	15,341	3%	14,241	3%	+8%
- Miscellaneous	4,919	1%	5,320	1%	-8%
Recurring revenues, of which:	313,089	60%	277,662	59%	+13%
- Software subscriptions	20,967	4%	13,291	3%	+58%
- Software maintenance contracts	52,852	10%	50,418	11%	+5%
- Equipment and accompanying software maintenance contracts	94,620	18%	85,362	18%	+11%
- Consumables and parts	144,651	28%	128,591	27%	+12%
Total	521,934	100%	467,986	100%	+12%
€ / $ average parity	*1.05*		*1.18*		

CONSOLIDATED INCOME STATEMENT – COMPARISONS AT ACTUAL EXCHANGE RATES

	Twelve months ended December 31				
	2022	2021	Changes 2022/2021	2021	Changes 2022 /Pro forma 2021
(in thousands of euros)	Actual	Actual	Actual exchange rates	Pro forma	Actual exchange rates
Revenues	521,934	387,583	+35%	467,986	+12%
Cost of goods sold	(174,251)	(125,008)	+39%	(162,070)	+8%
Gross profit	347,684	262,575	+32%	305,915	+14%
(in % of revenues)	66.6%	67.7%	-1.1 points	65.4%	+1.2 points
Research and development	(45,810)	(33,981)	+35%	(41,976)	+9%
Selling, general and administrative expenses	(233,389)	(184,212)	+27%	(218,396)	+7%
Income from operations before non-recurring items	68,485	44,382	+54%	45,543	+50%
(in % of revenues)	13.1%	11.5%	+1.6 points	9.7%	+3.4 points
Non-recurring income	-	942	na	942	na
Non-recurring expenses	(4,024)	(7,068)	-43%	(7,069)	-43%
Income from operations	64,461	38,256	+68%	39,417	+64%
(in % of revenues)	12.4%	9.9%	+2.5 points	8.4%	+4.0 points
Income before tax	58,965	35,969	+64%	35,835	+65%
Income tax	(15,137)	(7,725)	+96%	(9,060)	+67%
Net income	**43,828**	**28,244**	**+55%**	**26,776**	**+64%**
of which, Group share	**44,386**	**28,255**	**+57%**	**27,165**	**+63%**
of which, Non-controlling interests	(558)	(11)	na	(389)	+43%
Income from operations before non-recurring items	68,485	44,382	+54%	45,543	+50%
+ Net depreciation and amortization of non-current assets	29,882	20,743	+44%	27,566	+8%
EBITDA before non-recurring items	98,367	65,125	+51%	73,109	+35%
(in % of revenues)	18.8%	16.8%	+2.0 points	15.6%	+3.2 points
€ / $ average parity	*1.05*	*1.18*		*1.18*	

Company certification of the fourth quarter and fiscal year 2022 report

We certify that, to our knowledge, the financial statements of the fourth quarter and fiscal year 2022 have been prepared in accordance with currently applicable accounting standards and provide a fair view of the assets, financial condition, and financial 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 2022 presents a true and sincere view of the operations, results and financial condition of the Company and its consolidated companies, and that it describes the main risks and uncertainties that they face.

Paris, February 8, 2023

Daniel Harari
Chairman and Chief Executive Officer

Olivier du Chesnay
Chief Financial Officer

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

At December 31

(in thousands of euros)	2022	2021
Goodwill	292,626	275,250
Other intangible assets	137,108	138,084
Leasing rights-of-use	28,083	28,543
Property, plant and equipment	27,900	28,060
Other non-current assets	18,443	24,638
Deferred tax assets	12,212	9,047
Total non-current assets	516,372	503,622
Inventories	75,479	59,650
Trade accounts receivable	88,185	82,948
Other current assets	24,227	19,153
Cash and cash equivalents	130,634	130,586
Total current assets	318,525	292,337
Total assets	**834,897**	**795,959**

EQUITY AND LIABILITIES

(in thousands of euros)	2022	2021
Share capital	37,789	37,743
Share premium	140,134	139,511
Treasury shares	(1,037)	(271)
Currency translation adjustments	30,346	12,132
Retained earnings and net income	242,269	208,947
Non-controlling interests	2,719	2,724
Total equity	452,220	400,786
Retirement benefit obligations	9,580	11,348
Non-current lease liabilities	25,321	25,930
Minority shares purchase commitments	10,450	9,500
Deferred tax liabilities	1,278	-
Borrowings, non-current portion	97,492	118,284
Total non-current liabilities	144,121	165,062
Trade and other current payables	99,786	110,852
Deferred revenues	88,755	77,822
Current income tax liabilities	5,674	4,586
Current lease liabilities	9,048	8,500
Minority shares purchase commitments	-	2,464
Borrowings, current portion	21,784	21,102
Provisions for other liabilities and charges	13,509	4,785
Total current liabilities	238,556	230,111
Total equity and liabilities	**834,897**	**795,959**

CONSOLIDATED INCOME STATEMENT

Twelve months ended December 31 (in thousands of euros)	2022(1)	2021
Revenues	521,934	387,583
Cost of goods sold	(174,251)	(125,008)
Gross profit	347,684	262,575
Research and development	(45,810)	(33,981)
Selling, general and administrative expenses	(233,389)	(184,212)
Income from operations before non-recurring items	68,485	44,382
Non-recurring income	-	942
Non-recurring expenses(2)	(4,024)	(7,068)
Income from operations	64,461	38,256
Financial income	958	551
Financial expenses	(4,611)	(2,064)
Foreign exchange income (loss)	(1,843)	(774)
Income before tax	58,965	35,969
Income tax	(15,137)	(7,725)
Net income	**43,828**	**28,244**
of which, Group share	**44,386**	**28,255**
of which, Non-controlling interests	(558)	(11)

(in euros)		
Earnings per share, Group share:		
- basic	1.18	0.80
- diluted	1.16	0.78
Shares used in calculating earnings per share(3):		
- basic	37,748,750	35,538,978
- diluted	38,200,810	36,027,933

(in thousands of euros)		
Income from operations before non-recurring items	68,485	44,382
+ Net depreciation and amortization of non-current assets	29,882	20,743
EBITDA before non-recurring items	98,367	65,125

STATEMENT OF COMPREHENSIVE INCOME, GROUP SHARE (4)

Twelve months ended December 31 (in thousands of euros)	2022(1)	2021
Net income, Group share	44,386	28,255
Currency translation adjustments	18,137	23,188
Tax effect	78	237
Other comprehensive income to be reclassified in net income	18,215	23,425
Remeasurement of the net liability arising from defined benefits pension plans	1,826	912
Tax effect	(455)	(248)
Other comprehensive income not to be reclassified in net income	1,371	664
Total other comprehensive income	19,586	24,089
Comprehensive income, Group share	**63,971**	**52,344**

(1) The 2022 amounts integrate Gerber Technology, Neteven and Gemini CAD Systems (see note 3 hereafter).
(2) These amounts correspond to fees and other costs relating to the acquisition of Gerber Technology and the impairment of the Group's net assets in Russia (see note 3 hereafter).
(3) The 5 million Lectra shares issued on June 1, 2021 for the acquisition of Gerber Technology have been included prorate temporis in 2021 when determining the number of shares to use in the calculation of the earnings per share.
(4) The Group considered as non-material the information regarding the comprehensive income of the non-controlling interests (for Retviews, Neteven, Gemini CAD Systems and Glengo Lectra Teknoloji see note 3 hereafter) and thus only presents the comprehensive income of the Group share.

CONSOLIDATED STATEMENT OF CASH FLOWS

Twelve months ended December 31 (in thousands of euros)	2022[1]	2021
I - OPERATING ACTIVITIES		
Net income	43,828	28,244
Net depreciation and amortization (non-current assets)	29,882	20,743
Net depreciation and provisions (current assets)	4,345	840
Non-cash operating expenses	2,841	748
Loss (profit) on sale of fixed assets	9	(32)
Changes in deferred income taxes	(2,194)	(100)
Changes in inventories	(15,251)	(12,992)
Changes in trade accounts receivable	4,681	35
Changes in other current assets and liabilities	(10,354)	22,941
Changes in other operating non-current assets	-	(5,917)
Net cash provided by (used in) operating activities	57,787	54,509
II - INVESTING ACTIVITIES		
Purchases of intangible assets	(3,161)	(3,020)
Purchases of property, plant and equipment	(4,527)	(3,153)
Proceeds from sales of intangible and tangible assets	1	63
Acquisition cost of companies purchased[2]	(5,023)	(180,980)
Purchases of financial assets[3]	(11,828)	(10,075)
Proceeds from sales of financial assets[3]	12,200	9,820
Net cash provided by (used in) investing activities	(12,338)	(187,345)
III - FINANCING ACTIVITIES		
Proceeds from issuance of ordinary shares by the parent company	669	2,855
Proceeds from issuance of ordinary shares to non controlling interests	490	1,204
Dividend paid	(13,588)	(7,820)
Change in share of interests in controlled entities[4]	(1,714)	(1,363)
Purchases of treasury shares	(12,064)	(9,486)
Sales of treasury shares	11,329	9,914
Repayment of lease liabilities	(10,157)	(8,649)
Proceeds from long term and short term borrowings	-	139,214
Repayments of long-term and short-term borrowings	(21,000)	-
Net cash provided by (used in) financing activities	(46,035)	125,869
Increase (decrease) in cash and cash equivalents	**(586)**	**(6,967)**
Cash and cash equivalents at opening	130,586	134,626
Increase (decrease) in cash and cash equivalents	(586)	(6,967)
Effect of changes in foreign exchange rates	634	2,927
Cash and cash equivalents at closing	130,634	130,586
Net cash provided by (used in) operating activities	57,787	54,509
+ Net cash provided by (used in) investing activities	(12,338)	(187,345)
- Acquisition cost of companies purchased	5,023	180,980
- Repayment of lease liabilities	(10,157)	(8,649)
Free cash flow	40,315	39,495
Non-recurring items of the free cash flow	(3,405)	(8,012)
Free cash flow before non-recurring items	43,720	47,507
Income tax (paid) / reimbursed, net	(6,520)	(4,323)
Interest (paid) on lease liabilities	(530)	(279)
Interest (paid)	(794)	(605)

(1) *The 2022 amounts integrate Gerber Technology, Neteven and Gemini CAD Systems (see note 3 hereafter).*
(2) *In 2022, this amount corresponds to the price paid for the business combination with Glengo Teknoloji, and in 2021, to the acquisition cost, net of cash acquired, of Gerber Technology, Neteven et Gemini CAD Systems (see note 3 hereafter).*
(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.*
(4) *These amounts correspond to the payments of the remainder of the staggered purchases of additional 10% of Retviews, made in January and July 2021 and then in January and July 2022 (see note 3 hereafter).*

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: Share capital	Share premium	Treasury shares	Currency translation adjustments	Retained earnings and net income	**Equity, Group share**	Non controlling interests	**Total equity**
Balance at December 31, 2020	32,511,651	1.00	32,512	19,387	(343)	(11,293)	151,750	192,013	160	192,173
Implementation of IFRS IC decision relative to IAS 19							659	659	-	659
Balance at January 1, 2021	32,511,651	1.00	32,512	19,387	(343)	(11,293)	152,409	192,672	160	192,832
Net income							28,255	28,255	(11)	28,244
Other comprehensive income						23,425	664	24,089	-	24,089
Comprehensive income						23,425	28,919	52,344	(11)	52,333
Exercised stock options	231,308	1.00	231	2,624				2,855		2,855
Shares issued to purchase Gerber Technology[(1)]	5,000,000	1.00	5,000	117,500			42,750	165,250		165,250
Fair value of stock options							1,119	1,119		1,119
Sale (purchase) of treasury shares					72			72		72
Profit (loss) on treasury shares							270	270		270
Minority shares purchase for Retviews[(2)]							799	799	(129)	670
Integration of Neteven and Gemini and minority shares purchase commitment[(3)]							(9,500)	(9,500)	1,500	(8,000)
Shares issued to non controlling interests							-	-	1,204	1,204
Dividend paid							(7,820)	(7,820)		(7,820)
Balance at December 31, 2021	37,742,959	1.00	37,743	139,511	(271)	12,132	208,947	398,062	2,724	400,786
Net income							44,386	44,386	(558)	43,828
Other comprehensive income						18,215	1,371	19,586	11	19,597
Comprehensive income						18,215	45,757	63,971	(547)	63,424
Exercised stock options	45,990	1.00	46	623				669		669
Fair value of stock options							1,340	1,340		1,340
Sale (purchase) of treasury shares					(766)			(766)		(766)
Profit (loss) on treasury shares							18	18		18
Minority shares purchase commitment revaluation for Retviews							837	837	(87)	750
Revaluation of non controlling interests in Gemini							-	-	47	47
Glengo operation and minority shares purchase commitment[(4)]							(1,941)	(1,941)	92	(1,850)
Shares issued to non controlling interests[(4)]							-	-	490	490
Discounting of minority shares purchase commitments							900	900		900
Dividend paid							(13,588)	(13,588)		(13,588)
Balance at December 31, 2022	**37,788,949**	**1.00**	**37,789**	**140,134**	**(1,037)**	**30,346**	**242,269**	**449,501**	**2,719**	**452,220**

(1) This amount corresponds to the shares issued on June 1, 2021 for the acquisition of Gerber Technology (see note 3 hereafter).
(2) This amount stems from the staggered purchases of additional 10% of Retviews in 2021 and 2022 (see note 3 hereafter).
(3) These amounts stem from the takeover of Neteven and Gemini CAD Systems in 2021 (see note 3 hereafter).
(4) These amounts stem from the business combination with Glengo Teknoloji on June 1, 2022 (see note 3 hereafter).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2022

1. BUSINESS ACTIVITY

A French high technology company, Lectra has developed privileged and long-term relationships with its customers in over 100 countries. They all have operational excellence in common and the soft materials they use – fabrics and leather, but also technical textile and composite materials – to manufacture their products (garments, car seats and interiors, airbags, sofas…).

In order to increase customers' competitiveness, Lectra creates premium technologies specifically for its customers' markets – mainly fashion, automotive and furniture. Lectra's solutions, combining software, automated cutting equipment, data and associated services, enable customers to automate and optimize product design, development and manufacturing, and to digitalize their processes.

Lectra's offer supports customers to achieve their strategic objectives: to boost productivity; to reduce cutting costs; to reduce time-to-market; to meet the challenges of globalization; to enhance product quality; to increase production capacity; and to develop their brands. In addition, customers now face challenges specific to Industry 4.0, such as securing digital communications along an extended supply chain, and making the factory more agile.

Established in 1973, Lectra has been listed on Euronext Paris since 1987.

Business model

Lectra's business model is based on three pillars:

- the distribution of business activity over market sectors and geographical markets with cycles that are different from each other, and the very large number of customers throughout the world;
- a balanced revenue mix between revenue from software licenses, equipment and non-recurring services, and recurring revenue;
- the generation of significant annual free cash flow.

Worldwide presence

Since the mid-1980s Lectra, with headquarters located in France, has established its global footprint.

Since the acquisition of Gerber Technology ("Gerber") in June 2021, Neteven in July 2021 and Gemini CAD Systems ("Gemini") in September 2021, the Group has an unrivalled network of 61 subsidiaries, from which Lectra generates nearly 85% of its revenue.

Lectra welcomes customers from around the world in its International Advanced Technology & Conference Centers in Bordeaux-Cestas (France), Atlanta and New York (USA) and Shanghai (China). The Group has twelve international Expertise Centers, based in Bordeaux-Cestas (France), Atlanta and Tolland (USA), Blumenau (Brazil), Hô Chi Minh (Vietnam), Istanbul (Turkey), Madrid (Spain), Milan (Italy), Osaka (Japan), Porto (Portugal), Seoul (South Korea) and Shanghai (China).

Customers

From global or national corporations to smaller companies, Lectra's customers are, for the most part, fashion and apparel brands, manufacturers and retailers, automotive equipment manufacturers and subcontractors, and furniture brands and manufacturers.

Products and services

Lectra designs, manufactures and markets end-to-end integrated technology solutions, which combine software, automated cutting equipment, data and associated services. The distinctive feature of Lectra's offer is to integrate business expertise with the best industrial practices for each market sector. The services include technical maintenance, support, training and consulting. The Group also sells consumables and parts for its automated cutting equipment.

The automated cutting equipment manufactured by the Group in France is assembled from parts produced by a network of subcontractors and tested in the Company's industrial facilities in Bordeaux-Cestas (France). Cutting machines on the market since 2007 incorporate hundreds of sensors which connect them to Lectra's Expertise Centers, enabling preventive and predictive maintenance.

The manufacturing of the automated cutting equipment developed by Gerber is subcontracted, essentially to two companies, one in China and the other in the United States.

People

Lectra's strength lies in the skills and experience of nearly 2,500 employees worldwide. Thanks to Lectra's global presence, the Group is close to all its customers, wherever they are in the world.

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:

https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/financial-reporting_en

The consolidated financial statements at December 31, 2022, have been prepared in accordance with the same rules and methods as those applied in the preparation of the 2021 financial statements. They have been prepared under the responsibility of the Board of Directors at its meeting of February 8, 2023. 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 23, 2023, which will approve the notes to the consolidated financial statements. The Q4 financial statements have not been reviewed separately by the statutory auditors.

The standards, amendments and interpretations adopted by the European Union whose application is required for fiscal years starting from January 1, 2022 have no impact on the Group's financial statements. The Group has not early adopted any standard, amendment or interpretation whose application is not required for fiscal years starting from January 1, 2022.

Seasonality

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 revenue during the fourth quarter of the year. This, in particular, applies to new systems sales. 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 income from operations in these quarters.

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.

The areas involving a higher degree of judgment or complexity, or requiring material assumptions and estimates in relation to the establishment of the consolidated financial statements, relate to the calculation of the recoverable amount of goodwill and fixed assets, and the evaluation of deferred tax assets.

Revenue

Contracts with customers comprise multiple obligations such as: equipment and accompanying software, perpetual software licenses, consumables and parts, training and consulting, installation, maintenance, evolution and online services contracts for equipment and software.

Software sales are only recognized separately when the customer can benefit from the software independently from the other goods and services promised in the contract. In particular, the software accompanying automated cutting equipment (called pilots) are not recognized separately from these, as they are an inseparable part of the equipment: without the pilot, the equipment would be useless, and without the equipment, the pilot has no use either. On the other hand, specialized software (for instance, software for collection management, pattern-making, simulation), sold under perpetual license separately from the equipment and usually installed on the clients' computers are considered separate performance obligations.

The other obligations are considered as separate under IFRS 15 and are thus accounting for based on the following elements among others:

- installation of equipment and specialized software is made in a few days, easy to implement, and does not modify their characteristics;
- training is short-term and had no interdependence relationship with the other obligations;
- consulting usually regards the optimization of clients' design and production processes and is very often sold separately to clients;
- regarding maintenance of software and equipment, these are mostly yearly contracts in which the Group's commitment is a stand-ready type, or an obligation to make future not-yet-developed versions of the software available. The solutions (equipment and software) are distinct from maintenance since they are entirely ready to work upon delivery and since maintenance services are not critical for the client in order to use the solution. Equipment is sold most often with one or two years of maintenance, and the client holds renewal options that are not discounted compared to the initial price for subscribing maintenance. Renewal options are thus not considered as significant rights that would require separate accounting under IFRS 15.

The Group determines stand-alone selling prices of the multiple elements by using observable data as much as possible. For elements which are not sold separately on a customary basis, stand-alone selling prices are estimated based on the Company's pricing policy, reflecting expected costs plus an appropriate margin.

Revenue from sales of equipment (including pilot software) is recognized when the control has been transferred to the purchaser. These conditions are fulfilled upon physical transfer of the equipment in accordance with the contractual sale terms.

Software sold as perpetual licenses is regarded as right-of-use licenses under IFRS 15, for which revenue is booked at a certain date, generally the time of installation of the software on the customer's computer (either by CD-ROM or downloading).

Revenue from subscription sales of software (granting the customer with an access right the said software licenses) is spread over the duration of the customer's commitment.

Revenue from training and consulting is recognized based on the completion of hours or days of work.

Revenue from equipment and specialized software installation is recognized when these services are rendered.

Revenue from software and equipment maintenance contracts is spread linearly over the duration of the contracts, as they are 'stand-ready obligations'.

Lectra acts as principal in the sale of equipment insofar as parts and sub-ensembles assembled by the Group in France only constitute inputs used in the manufacturing of finished goods sold to customers.

Cost of goods sold

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

Cost of goods sold does not include salaries and expenses associated with service revenue, 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, setting the stage for 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 period in which they are incurred.

The French research tax credit (*crédit d’impôt recherche*) and innovation tax credit (*credit d’impôt innovation*), 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 by 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.

Performance indicators

The Group uses performance indicators such as income from operations, EBITDA before non-recurring items, free cash flow, and the security ratio, as defined below; it considers these aggregates appropriate for management of the Group and for measurement of the implementation of its strategy.

Income from operations before non-recurring items and income from operations

The Group uses an intermediate balance referred to as ‘Income from operations’, defined as income excluding financial operations, companies accounted for by the equity method, discontinued operations or those held for sale, and income tax.

When the Group identifies non-recurring items, it tracks its operating performance by means of an intermediate balance referred to as ‘Income from operations before non-recurring items’. This financial metric reflects income from operations less non-recurring income and plus non-recurring expenses, as set forth in CNC (French National Accounting Council) recommendation 2009-R.03.

Where applicable, non-recurring items are presented on a specific line and reflect the impact on the financial statements of events that are either unusual, abnormal or infrequent. There are very few of these and their amounts are significant.

EBITDA before non-recurring items

The Group defines EBITDA before non-recurring items (Earnings Before Interest, Tax, Depreciation and Amortization) as the addition of operating income before non-recurring items and net depreciation and amortization of non-current assets.

This indicator allows the Group to monitor its operating performance directly related to business activity, excluding the impacts of capitalized investments.

Free cash flow before non-recurring items and 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), and minus repayments of lease liabilities according to IFRS 16.

Within free cash flow, the Group isolates non-recurring cash-ins and -outs, corresponding to the income and expenses of the same nature in the income from operations. Restated from these elements presented on a specific line, the Group thus identifies the free cash flow before non-recurring items.

The Group considers this definition of free cash flow as a performance indicator of its work on cash management.

Security ratio

The security ratio is defined by the Group as the percentage of annual fixed overhead costs covered by gross profit on recurring revenue.

This ratio is used by the Group to measure the coverage of annual fixed-overheads costs by revenues that do not depend on customer's investment decisions from one year to the next.

Operating segments

Operating segment reporting is based directly on the Group's performance tracking and review systems. The segments disclosed in note 4 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'.

Reported segments refer to the major marketing regions. The regions concerned are: the Americas; Northern and Eastern Europe, Middle East and South Africa; Southern Europe and North Africa; and Asia-Pacific. 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, business development, logistics, procurement, production, R&D, finance, legal affairs, human resources, information systems. All of these cross-divisional activities are reported as an additional column referred to here as 'Corporate' and which allows for reconciliation with the amounts presented in the Group's financial statements.

Performance is measured by the segment's EBITDA before non-recurring items and impairment of assets, if any. Marketing regions derive their revenue 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 added value supplied by Corporate. Consequently, for products or services supplied in full or in part by Corporate, a percentage of consolidated gross profit is retained in the income computed for Corporate in order to cover its costs. Since most of Corporate's general overheads are fixed, its profit margin and consequently its EBITDA before non-recurring items depend mainly on the volume of business generated by marketing regions.

3. SCOPE OF CONSOLIDATION

At December 31, 2022, the Group's scope of consolidation comprised the parent company, Lectra SA, together with 57 fully-consolidated companies, 24 of which come from the acquisition of Gerber.

Cease of the activity in Russia

As soon as the conflict began, the Company decided to cease its operations in Russia, by suspending the activity of its subsidiary Lectra Russia and stopping all deliveries of products or services.

The Group recorded an impairment of its net assets in Russia, for an approximate 0.9 million euros; the Lectra Russia subsidiary remains fully consolidated in the Group's scope.

Business combination with Glengo Teknoloji

On June 1, 2022, the Group signed a business combination between its subsidiary Lectra Turkey and Glengo Teknoloji ("Glengo"), the exclusive distributor of Gerber solutions in Turkey. The transaction involved the acquisition by Lectra Turkey of Glengo's assets (and the onboarding of most of its employees), for 5.0 million euros, and the acquisition by Glengo's shareholders of 25% of Lectra Turkey's shares; the company becomes Glengo Lectra Teknoloji. The transaction also includes a mid-term minority shares purchase commitment (with cross puts and calls).

The purchase price accounting is in the process of being finalized, and the main impacts on the Group financial statements to date are as follows:

- Recording of customer relationships for 2.4 million euros;
- Acquisition of inventory for 1.6 million euros;
- Acquisition of tangible assets (mostly cars) for 0.5 million euros;
- Recording of a goodwill of 0.1 million euros;
- Recording of non-controlling interests, valued at their share in the net assets of the company (against equity, Group share), for 0.1 million euros;
- Recording of a debt to recognize the minority shares purchase commitment, measured at fair value, recorded for a total amount of 1.9 million euros (classified as non-current liabilities). The counterpart is recorded in 'Equity, Group share'.

The acquisition cost for Lectra has been entirely disclosed under the heading 'Acquisition cost of companies purchased' in the statement of cash flows, for an amount of 5.0 million euros.

A first capital increase in the amount of 11 thousand euros took place in June 2022, fully subscribed by the former shareholders of Glengo (minority shareholders) and appears on the corresponding caption in the statement of cash-flows.

An additional capital increase in the amount of 1.9 million euros was made in July 2022, 25% of which were subscribed by the former shareholders of Glengo (appearing on the corresponding caption in the statement of cash-flows), Lectra having subscribed to the remaining 75%.

Acquisition of Gemini

In September 2021, the Group acquired 60% of the capital and voting rights of the Romanian company Gemini for 7.6 million euros. The acquisition of the remaining capital and voting rights (minority shares purchase commitment – with cross puts and calls) will take place in two installments in September 2024 and September 2026, and will bring the total cost of the acquisition between 13 and 20 million euros.

The purchase price accounting was finalized. The debt to recognize the minority shares purchase commitment, measured at fair value, is recorded for a total amount of 6.4 million euros (classified as non-current liabilities).

Gemini has been fully consolidated since September 27, 2021.

Acquisition of Neteven

In June 2021, the Group acquired 80% of the capital and voting rights of the French company Neteven for 12.6 million euros. The acquisition of the remaining capital and voting rights (minority shares purchase commitment – with cross puts and calls) will take place in June 2025 for an amount between 0.6 and 0.9 times the 2024 recurring revenue.

The purchase price accounting was finalized. The debt to recognize the minority shares purchase commitment, measured at fair value, is recorded for a total amount of 2.3 million euros (classified as non-current liabilities).

Neteven has been fully consolidated since July 28, 2021.

Acquisition of Gerber

On June 1, 2021, Lectra had finalized the acquisition of all outstanding shares of Gerber, for 173.9 million euros (after final determination of the transaction price) – financed through a 140-million-euro loan and the Group's available cash – plus 5 million newly issued Lectra shares to AIPCF VI LG Funding LP, Gerber's sole shareholder.

This strategic combination has led to the creation of a leading global Industry 4.0 player for the fashion, automotive and furniture markets.

Business combination – acquisition method

The purchase accounting (performed under IFRS 3) and the evaluation of its tax effects have been finalized. Some amounts, mainly corresponding to tax risks, were revised, resulting in a 6.4 million euros increase of the recorded goodwill. The following tables show the details of these revisions.

ASSETS

(in thousands of euros)	Initial amounts	Revision	Final amounts
Intangible assets	125,237	-	125,237
Leasing rights-of-use	15,942	-	15,942
Property, plant and equipment	4,045	-	4,045
Other non-current assets	2,133	-	2,133
Deferred tax assets	1,133	(24)	1,109
Total non-current assets	148,490	(24)	148,466
Inventories	17,267	(94)	17,173
Trade accounts receivable	29,572	-	29,572
Other current assets	3,384	-	3,384
Cash and cash equivalents	15,030	-	15,030
Total current assets	65,252	(94)	65,158
Total assets acquired	**213,742**	**(118)**	**213,624**

LIABILITIES

(in thousands of euros)	Initial amounts	Revision	Final amounts
Retirement benefit obligations	891	-	891
Non-current lease liabilities	18,015	-	18,015
Borrowings, non-current portion	-	-	-
Total non-current liabilities	18,906	-	18,906
Trade and other current payables	35,037	-	35,037
Deferred revenues	12,251	-	12,251
Current income tax liabilities	959	-	959
Current lease liabilities	3,642	-	3,642
Borrowings, current portion	-	-	-
Provisions for other liabilities and charges	3,538	6,260	9,798
Total current liabilities	55,427	6,260	61,687
Total liabilities assumed	**74,333**	**6,260**	**80,593**
Net assets and liabilities	**139,409**	**(6,378)**	**133,031**

(in thousands of euros)	Initial amount	Revision	Final amount
Net amount of assets acquired and liabilities assumed	139,409	(6,378)	133,031
Non-controlling interests	-	-	-
Acquisition price (after revision)	339,164	-	339,164
Goodwill valuation	**199,755**	**6,378**	**206,133**

Pro forma information

If Lectra had completed the acquisition on January 1, 2021, Gerber would have reported revenues for the twelve months of 2021 of 217.3 million US dollars (approximately 183.8 million euros), EBITDA before non-recurring items of 25.6 million US dollars (approximately 21.7 million euros) and net income of 2.9 million US dollars (approximately 2.4 million euros).

Acquisition of Retviews

In July 2019, the Group acquired the Belgian company Retviews and its Romanian subsidiary Retviews Bucharest SRL. The transaction involved the immediate acquisition of 70% of the capital and voting rights of Retviews for 8.0 million euros.

As initially planned, Lectra acquired in July 2020 an additional 10% of Retviews, for an amount of 1.0 million euros: 0.9 million euros paid out in July 2020 and the remainder in January 2021. Similarly, Lectra acquired in July 2021 another additional 10% of Retviews, for an amount of 1.5 million euros: 1.2 million euros paid out in July 2021 and the remainder in January 2022. Finally, in July 2022, Lectra acquired the remaining 10% of Retviews, for an amount of 1.4 million euros.

According to IAS 7, the payments appear in the statement of cash-flows, within the financing activities, under the caption “Change in share of interests in controlled entities”.

Moreover, the revaluation of the amount paid out for the remaining 10% in July 2022 against the amount outstanding in the statement of financial position until then (minority share purchase commitment) was made against equity – Group share.

Retviews and its Romanian subsidiary have been fully consolidated since July 15, 2019.

There was no other change in the scope of consolidation in 2022, nor in 2021.

Non-consolidated entities

Three sales and service subsidiaries are not consolidated, their revenue being immaterial both separately and combined. At December 31, 2022, their combined revenue totaled 0.7 million euros, and their combined assets totaled 2.2 million euros. They had no financial debt outside of the Group. Most of the sales activity of these subsidiaries is billed directly by Lectra SA.

Transactions with these subsidiaries mainly concern purchases from Lectra SA for the purposes of their local operations, or charges and commissions billed to Lectra SA in order to cover their overheads when they act as agents. The amount concerned by these transactions was not significant at December 31, 2022.

4. OPERATING SEGMENTS INFORMATION

Twelve months ended December 31, 2022 (in thousands of euros)	Northern Europe(1)	Southern Europe(2)	Americas	Asia-Pacific	Corporate	Total
Revenues	94,425	104,995	189,737	132,777	-	521,934
EBITDA before non-recurring items	10,528	18,788	8,384	10,834	49,833	98,367

Twelve months ended December 31, 2021 (in thousands of euros)	Northern Europe(1)	Southern Europe(2)	Americas	Asia-Pacific	Corporate	Total
Revenues	63,619	89,417	129,763	104,785	-	387,583
EBITDA before non-recurring items	9,818	19,009	21,362	12,042	2,894	65,125

(1) This segment covers the following regions: Germany and Eastern Europe, United Kingdom, Benelux, Scandinavia, Baltic countries, Turkey, Middle East and South Africa.
(2) This segment covers the following regions: France, Italy, Spain, Portugal and North Africa.

The 2022 amounts include the impacts of Gerber (acquisition on June 1, 2021), as well as Neteven (acquisition on July 28, 2021) and Gemini (acquisition on September 27, 2021).

The 'Corporate' column allows for the reconciliation with the amounts in the Group's financial statements.

5. CONSOLIDATED CASH FLOW SUMMARY

Twelve months ended December 31, 2022 (in thousands of euros)	Cash and cash equivalents	Financial debts	Net cash
Free cash flow before non-recurring items	43,720	-	43,720
Non-recurring items included in free cash flow	(3,405)	-	(3,405)
Proceeds from issuance of ordinary shares(1)	669	-	669
Proceeds from issuance of ordinary shares to non controlling interests(2)	490	-	490
Sale and purchase of treasury shares(3)	(735)	-	(735)
Acquisition cost of companies purchased(2)	(5,023)	-	(5,023)
Change in share of interests in controlled entities(4)	(1,714)	-	(1,714)
Dividend paid	(13,588)	-	(13,588)
Change in borrowings	(21,000)	21,000	-
Amortized cost of borrowings	-	(890)	(890)
Impact of currency variations	634	-	634
Change in cash position for the period	48	20,110	20,158
Cash position at December 31, 2021	130,586	(139,386)	(8,800)
Cash position at December 31, 2022	130,634	(119,276)	11,358
Change in cash position for the period	48	20,110	20,158

(1) Resulting solely from the exercise of stock options.
(2) Amounts related to the business combination with Glengo in June 2022 (see note 3).
(3) Carried out solely under the liquidity agreement administered by Exane BNP Paribas until September 2022, and then Natixis Oddo BHF (see note 7).
(4) Payments for the staggered acquisitions of additional 10% of Retviews (see note 3).

Free cash flow before non-recurring items at December 31, 2022, was 43.7 million euros. When adding non-recurring cash-outs for 3.4 million euros, incurred for costs relating to the acquisition of Gerber in 2021 and the situation in Ukraine and Russia, free cash flow amounted to 40.3 million euros.

This figure results from a combination of 57.8 million euros in cash flows provided by operating activities (including an increase in working capital of 20.9 million euros) and capital expenditures of 7.3 million euros. The research tax credit for 2022 was fully deducted from the corporate income tax due by Lectra SA – see note 6 hereafter. Finally, the repayment of lease liabilities (according to IFRS 16), for 10.2 million euros, was taken into account.

The variation in working capital is explained as follows:

- +15.3 million euros corresponding to the increase in inventories, following the pickup in activity, greater procurement previsions to face the tensions and global shortages in raw materials, and the transfer of some of Gerber's former distributors' activities directly to the Group's subsidiaries;
- +7.0 million euros arising from the payment of the variable portion of salaries for the Group in respect of fiscal year 2021 paid mainly in 2022, net from the accrual recognized in 2022 that will be paid in 2023;
- −4.7 million euros corresponding to the decrease in trade accounts receivable (the variation in trade accounts receivable shown in the consolidated statement of cash flows includes 'Deferred revenues' in the statement of financial position, which for the most part comprises the share of recurring contracts billed but not yet recognized in revenue);
- +2.5 million euros arising from the increase in deposits received for customer orders;
- +1.3 million euros arising from the decrease in trade accounts payable;
- −0.5 million euros arising from the changes in other current assets and liabilities; taken individually, these changes are all immaterial.

The working capital at December 31, 2022 was negative at 6.3 million euros. It comprised the current portion (8.7 million euros) of the 22.5 million euros receivable on the French tax administration in respect of the research and innovation tax credits, which has not been received and has not been deducted from the corporate income tax.

6. RESEARCH TAX CREDIT AND INNOVATION TAX CREDIT

When the research tax credit applicable in France recognized in the year cannot be deducted from the corporate income tax for Lectra, it is treated as a receivable on the French tax administration. If unused in the ensuing three years, it is repaid to the Company in the course of the fourth year. For Neteven, the research tax credits are treated as a receivable on the French tax administration, repaid to the company in the course of the following year.

The Group presents separately the current and non-current (to be repaid in over a year, and time-discounted) part of the income tax receivable related to the French research tax credit.

The research tax credit (6.9 million euros) for 2022 was accounted for but not received.

Thus, at December 31, 2022, the Group held a 22.5 million euros receivable on the French tax administration (of which 13.8 million euros classified within other non-current assets), comprised of:

- the remaining amount of the research tax credit, after deduction from the corporate income tax due by Lectra in the same year: for 2022 (0 euros since the the research tax credit was fully deducted from the corporate income tax of that year), 2021 (6.0 million euros), 2020 (7.8 million euros), 2019 (3.4 million euros) and 2018 (5.0 million euros);
- the remaining amount of the research tax credits (0.3 million euros).

Besides, the previous amounts due in more than one year have been discounted by an amount of €1.1 million.

The Group has also recorded a provision for risk of 2.0 million euros, taking into account ongoing discussions with the French administration concerning the Lectra SA research tax credit.

In light of its estimates of tax credits and corporate income tax for the next three fiscal years, Lectra does not expect to make any payment in respect of corporate income tax, from which will be deducted in full the research tax credit of each fiscal year. Thus, it should receive the reimbursement of the outstanding balance of these non-deducted tax credits as follows: 2023 (in respect of the 2018 and 2019 tax credits), 2024 (in respect of the 2020 tax credit) and 2025 (in respect of the 2021 tax credit). 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 credit for the year, the Company would continue to not pay corporate income tax until the corresponding receivable is deducted in full. Thereafter it would deduct these tax credits each year from the income tax expense for the same year in full and would be required to pay the residual amount.

7. TREASURY SHARES

Since January 1, 2022, the Company has purchased 334,278 shares and sold 311,404 shares at an average price of €36.09 and €36.38 respectively under the liquidity agreement administered by Exane BNP Paribas until September 2022 and then Natixis Oddo BHF.

At December 31, 2022, the Company held 29,909 Lectra shares (i.e. 0.08% of the share capital) with an average purchase price of €34.67 entirely under the liquidity agreement.

8. CASH AND CASH EQUIVALENTS AND NET CASH

(in thousands of euros)	December 31, 2022	December 31, 2021
Available cash	118,634	96,698
Cash equivalents	12,000	33,888
Borrowings and financial debts	(119,276)	(139,386)
Net cash / (net debt)	11,358	(8,800)

Lease liabilities, accounted for under IFRS 16, and minority shares purchase commitment are not considered as financial debts here.

Until May 31, 2021, the Group had no borrowings or financial debts. Then on June 1, 2021, it took out a 140-million-euro loan from three banks. This loan is with a five-year maturity, payable by four yearly instalments of 15% and 40% *in fine*. It bears interest at the 3-month or 6-month Euribor rate (with a 0% floor), to which a margin is added, depending on a leverage ratio and set at 85 base points for the first year and 75 base points for the second one.

A first instalment of 21.0 million euros was paid back on June 1, 2022.

The costs related to the set-up of the loan were deducted from the initial amount recorded in the balance sheet, and will be amortized over the duration of the loan (amortized cost under IFRS 9). This loan was not hedged by any cash-flow hedge.

At December 31, 2022, the maturity of the loan was as follows:

(in thousands of euros)	December 31, 2022	December 31, 2021
Short term – less than one year	21,784	21,102
Long term – more than one year, and less than five years	97,492	118,284
Total	119,276	139,386

9. FOREIGN EXCHANGE RISK

In 2022, the average parity between the US dollar and the euro was $1.05/€1.

Exchange risk hedging instruments

For Lectra's legacy entities, the Group's currency risk hedging policy is unchanged relative to December 31, 2021. Since July 2022, the Company also hedges the inter-company balance sheet positions between Gerber's legacy entities.

Exchange risk hedging instruments at December 31, 2022 were comprised of forward sales or purchases of foreign currencies (mainly US dollar) for a net total equivalent value (sales minus purchases) of 8.2 million euros, intended to hedge existing balance sheet positions. Thus, the Company has hedged almost all its balance sheet positions.

Moreover, the Company has not hedged its exposure to currency rates for 2023.

10. SENSITIVITY ANALYSIS

Sensitivity of revenues and EBITDA before non-recurring items to a change in exchange rates

The sensitivity of revenues and EBITDA before non-recurring items to a change in exchange rates was based on the December 30, 2022, exchange rates for the relevant currencies, in particular $1.07/€1. The sensitivity to a change in exchange rates takes past acquisitions into account.

In view of the estimated share of revenues and costs denominated in US dollars or in currencies correlated with the US dollar, a 5-cent fall in the euro against the US dollar (leading to an annual average exchange rate of $1.02/€1) would mechanically increase 2023 annual revenues by approximately 12.3 million euros and annual EBITDA before non-recurring items by 5.4 million euros. Conversely, a 5-cent appreciation of the euro against the US dollar (i.e. $1.12/€1) would mechanically reduce annual revenues and EBITDA before non-recurring items by the same amounts.