MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS FOR FOURTH QUARTER AND FULL YEAR OF 2021

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, 2021.

Audit procedures have been performed by the Statutory Auditors. The certification report will be issued at the end of the Board of Directors meeting of February 23, 2022.

These financial statements incorporate the acquisitions of Gerber Technology ("Gerber"), consolidated since June 1, 2021, Neteven, since July 28, 2021, and Gemini CAD Systems ("Gemini"), since September 27, 2021 ("2021 Acquisitions").

To facilitate an analysis of them, Lectra's financial statements before taking into account the 2021 Acquisitions (the "Lectra 2020 scope") are analyzed separately from the financial statements relating to the 2021 Acquisitions. For the Lectra 2020 scope, comparisons between 2021 and 2020 are based on 2020 exchange rates unless otherwise stated ("like-for-like").

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. The analysis of orders is limited to the Lectra 2020 scope.

Revenue corresponding to orders for perpetual software licenses is reported under "Perpetual software licenses;" revenue corresponding to embedded software is reported, as previously, under "Equipment and accompanying software." Revenue from software sold on a subscription basis is reported under "Software subscriptions."

The detailed tables and like-for-like changes in orders for new systems, in revenues, and in the income statements for the fourth quarter and full year 2021 are provided in the additional information of this report, starting on page 13. These tables allow identification of the impact of the 2021 Acquisitions on the revenues and earnings for the fourth quarter and full year 2021.

To provide a better indicator for measuring the results following the acquisition of Gerber, the Group has decided to employ EBITDA before non-recurring items to measure its operational performance.

1. SUMMARY FOR Q4 2021

Q4 2021 revenues amounted to 125.6 million euros, up 91% at actual exchange rates compared to Q4 2020.

EBITDA before non-recurring items totaled 21.8 million euros, up 66% at actual exchange rates, and the EBITDA margin before non-recurring items was 17.3%.

Gerber contributed 47.9 million euros to revenues and 6.7 million euros to EBITDA before non-recurring items. Neteven and Gemini contributed 1 million euros and 0.5 million euros to revenues, respectively and 0.2 million euros overall to EBITDA before non-recurring items.

Income from operations before non-recurring items amounted to 14.8 million euros (10 million euros in Q4 2020), up 47%. After a non-recurring net income of 0.3 million euros, income from operations amounted to 15 million euros in Q4.

Net income totaled 11.4 million euros (+74% at actual exchange rates compared to Q4 2020).

Free cash flow before non-recurring items came to 13.9 million euros (15.2 million euros in Q4 2020). After disbursement of 1.2 million euros in Q4 in respect of fees and other related expenses in connection with the acquisition of Gerber, free cash-flow came to 12.7 million euros.

Lectra 2020 scope

With an average exchange rate of $1.14/€1 in Q4, the US dollar was up 4% compared to Q4 2020, while the yuan strengthened by 8% against the euro. Currency changes mechanically increased revenues by 1.8 million euros (+2%) and income from operations before non-recurring items by 1.4 million euros (+13%) at actual exchange rates, compared to like-for-like figures.

Further rise in orders, revenues and income from operations before non-recurring items

Q4 confirmed the positive dynamic observed since the beginning of 2021.

Orders for perpetual software licenses, equipment and accompanying software, and non-recurring services (32.9 million euros) were up 16% compared to Q4 2020 (+19% at actual exchange rates).

The annual value of new software subscription orders amounted to 1.8 million euros, up 57%.

Revenues (76.2 million euros) increased by 13% compared to Q4 2020 (+16% at actual exchange rates).

Income from operations before non-recurring items totaled 11.9 million euros; it increased by 5% like-for-like and by 19% at actual exchange rates compared to Q4 2020, when strong operational performance resulted from a rebound in revenues and an exceptionally low level of fixed and variable overhead costs.

The operating margin before non-recurring items was 15.7%, down 1.1 percentage points like-for-like and up 0.4 percentage points at actual exchange rates.

2. SUMMARY OF EVENTS AND PERFORMANCE IN 2021

2.1 Acquisitions of Gerber, Neteven and Gemini

Gerber

On February 8, 2021, Lectra announced having entered into a Memorandum of Understanding to acquire the entire capital and voting rights of the US-based company Gerber Technology. It then announced, on June 1, 2021, having finalized this acquisition.

This acquisition strengthens the Group's position in the market and facilitates continued expansion of its Industry 4.0 technology offers, thus enabling customers to substantially improve both productivity and profitability. The strategic combination of Gerber and Lectra will create a premier advanced technology group with an extended global reach, able to quickly meet changing customer needs in all its markets and deliver even more value through seamlessly integrated solutions. Together, the two companies will have a large installed base of product development software and automated cutting solutions in operation, with a worldwide presence and a long list of prestigious customers. This strategic combination has given rise to a leading global player in Industry 4.0 for the fashion, automotive and furniture markets.

The acquisition was completed on a cash-free debt-free basis, for 175 million euros – 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.

If Lectra had completed the acquisition on January 1, 2021, Gerber would have reported pro forma revenues, EBITDA before non-recurring items and net income of 217.3 million US dollars (approximately 184 million euros), 25.6 million US dollars (approximately 22 million euros) and 2.9 million US dollars (approximately 2.4 million euros), respectively, for the full year 2021.

Neteven

On July 28, 2021, the Company finalized the acquisition of the French company Neteven.

This deal is in line with Lectra's strategy of expanding its presence in the fashion market by covering an additional part of the customer value chain.

Founded in 2005, Neteven has developed an innovative offer, based on a SaaS platform and associated services, which enables brands to simplify and effectively monitor the distribution of their products on the world's largest online marketplaces.

The transaction concerns the acquisition of 80% of Neteven in July 2021 for 12.6 million euros. The acquisition of the remainder of capital and voting rights will take place in June 2025, for an amount between 0.6 to 0.9 times 2024 recurring revenues.

Gemini

On September 6, 2021, the Company announced the signature of an agreement to acquire the entire capital and voting rights of the Romanian company Gemini.

This acquisition is also in line with Lectra's strategy of expanding its presence and its value proposition in the fashion market.

Founded in 2004, Gemini has developed several innovative software solutions, essentially Computer Aided Design (CAD), for small and medium-sized fashion companies.

The transaction concerns the acquisition of 60% of Gemini right now for 7.6 million euros. The acquisition of the remaining capital and voting rights will take place in two steps, in September 2024 and September 2026. The total consideration for the acquisition of 100% of Gemini's capital will depend on its revenue growth. It should be between 13 and 20 million euros.

Pro forma 2021

If Lectra had completed the acquisitions of Gerber, Neteven and Gemini on January 1, 2021, then the Group would have reported pro forma revenues of 468 million euros, pro forma EBITDA before non-recurring items of 73 million euros, and a pro forma EBITDA margin before non-recurring items of 15.6 %.

2.2 A more favorable macroeconomic environment, but one that remains heterogeneous and uncertain

While activity and results for the full year 2021 reflected a rebound in activity and investment decisions by customers, along with successful deployment of the Group's new offers, the year remained marked by the consequences of the COVID-19 crisis, with periods of lockdowns and restrictions, often severe restrictions, alternating with periods of recovery, during the successive waves of the pandemic. The situation sustained a climate of uncertainty for the Group's customers.

The crisis has also led to supply difficulties and rising costs of certain raw materials, which affected the Group's manufacturing schedules and costs.

The COVID-19 crisis also had a strongly negative impact on maritime transport. This caused delays in deliveries and sharply higher corresponding costs. In 2021, however, the Group has been able to limit the impact of these disruptions on its business and results.

Shortages of electronic components had a negative impact on production by the Group's automotive customers and, consequently, on the revenue from consumables and parts.

2.3 Very strong growth in revenues and EBITDA before non-recurring items, on account of the rebound in activity and external growth

Revenues of 2021 amounted to 387.6 million euros, up 64% at actual exchange rates.

EBITDA before non-recurring items totaled 65.1 million euros, up 74% at actual exchange rates, and the EBITDA margin before non-recurring items was 16.8%.

Gerber (since June 1), Neteven (since July 28) and Gemini (since September 27) have contributed 106.6 million euros, 1.4 million euros and 0.5 million euros to revenues, respectively. Gerber's contribution to EBITDA before non-recurring items was positive 13.3 million euros, Neteven's and Gemini's contribution was 0.2 million euros overall.

Consolidated income from operations before non-recurring items totaled 44.4 million euros. This included a 6-million-euro charge for amortization of intangible assets arising from the acquisitions of Gerber, Neteven and Gemini (see chapter 2.4).

After a non-recurring net charge of 6.1 million euros, for fees and other income and expense items relating to the acquisition of Gerber, income from operations amounted to 38.3 million euros.

Financial income and expenses represented a net charge of 1.5 million euros. After net foreign exchange gains of a negative 0.8 million euros and an income tax expense of 7.7 million euros, net income totaled 28.2 million euros, up 61% at actual exchange rates.

Net earnings per share were €0.80 on basic capital and €0.78 on diluted capital (€0.54 on basic capital and diluted capital in 2020).

Free cash flow before non-recurring items came to 47.5 million euros (25.2 million euros in 2020). This sharp rise is attributable mainly to the improvement in business activity and higher income from operations. After disbursement of 8 million euros, in respect of fees and other related expenses in connection with the acquisition of Gerber, free cash-flow amounted to 39.5 million euros in 2021.

2.4 Balance sheet at December 31, 2021

The balance sheet at December 31, 2021 includes the effects of the acquisition of Gerber, which are set out below. It also includes the impacts of the Neteven and Gemini acquisitions, which remain small.

At December 31, 2021, consolidated shareholders' equity amounted to 400.8 million euros (192.2 million euros at December 31, 2020). This increase is explained mainly by the capital increase carried out for the purpose of the acquisition of Gerber in the total amount of 165.3 million euros (see chapter 6).

The Company took out a 140-million-euro loan to finance the cash portion of the acquisition price of Gerber in the amount of 175 million euros.

It paid a dividend of 7.8 million euros in respect of FY 2020 on May 7, 2021; this was followed by the payment of 12.6 million euros in respect of the Neteven acquisition and 7.6 million euros for the Gemini acquisition.

At December 31, 2021, the Group's net financial debt stood at 8.8 million euros, consisting in financial debt of 139.4 million euros and available cash of 130.6 million euros.

At June 1, the acquisition price of Gerber was primarily allocated to amortizable intangible assets in the provisional amount of 123.8 million euros and to goodwill in the provisional amount of 199.8 million euros, at December 31, 2021.

The working capital requirement at December 31, 2021 was a negative 31.5 million euros.

3. 2020-2022 STRATEGIC ROADMAP: SECOND PROGRESS REPORT

The Lectra 4.0 strategy was launched in 2017 with the aim of positioning the Group as a key Industry 4.0 player in its markets before 2030. It has been implemented to date through two consecutive strategic roadmaps.

The first roadmap, for 2017-2019, established the key fundamentals for the future of the Group, notably 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 reorganization of subsidiaries into four main regions, and the launch of the first software offers in SaaS mode.

The second roadmap, for 2020-2022, was published in the financial report dated February 11, 2020. It is designed to enable Lectra to capture the full potential of its new offers for Industry 4.0, while delivering sustainable, profitable business growth.

Despite the consequences of the economic crisis caused by the COVID-19 pandemic, the objectives of the 2020-2022 strategic roadmap remain unchanged. The only adjustments to the original objectives are in the growth targets for the end of the three-year period – notably following the acquisition by Lectra of Gerber, Neteven, and Gemini.

The Lectra 4.0 strategy, and each of the main chapters in the strategic roadmap for 2020-2022, are summarized below, followed by a progress report on the related actions implemented in 2021.

Lectra 4.0: a long-term vision

Markets are undergoing profound changes

Throughout the world, Lectra customers are faced with changes in consumer behavior, as buyers reveal new expectations in terms of experience and personalization, and demand ever greater transparency, authenticity and ethical commitment from all actors in the value chain.

To remain competitive, fashion brands and manufacturers have to call themselves into question. They must rethink and merge the in-store and digital experience, release new and ever-more creative models to market quicker, and demonstrate their eco-responsibility – while also reducing inventories, markdowns, and unsold stock.

In addition, automotive suppliers, under pressure from carmakers and faced with challenging market conditions, must also reinvent themselves to maintain their margins, while laying the groundwork for car interiors of the future.

Finally, furniture industry players are forced to adapt without delay to the demands of younger generations yearning for configurable and personalized furniture, changing lifestyles, and the challenges of digital technology.

Industry 4.0 is transforming industrial processes

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.

To exploit the full potential of the fourth industrial revolution, companies must first digitize every process in the value chain, from creation to point of sale, and set up modular, intelligent and communicating production lines. Subsequently, automation and then continuous optimization of all processes will be possible thanks to Industry 4.0 technologies including cloud computing, big data, artificial intelligence and the Internet of Things.

Ultimately, Industry 4.0 will significantly benefit consumers by facilitating the transition from mass production to agile production – or even personalized production – at no additional cost or time.

A strategy to meet the challenges of Industry 4.0

Launched in 2017, the Lectra 4.0 strategy, which aims to position the Group as a key Industry 4.0 player in its different market sectors before 2030, is built on four pillars:

- premium positioning, 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;
- 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.

Lectra already has the fundamentals necessary to help its customers enter this new industrial age: fifteen years' experience in the Industrial Internet of Things (IIoT), strong business-line expertise in its customers' markets, and total mastery of know-how regarding equipment, software, data and services. Furthermore, the Group can count on a prestigious customer base, a global presence, technological leadership that has grown tremendously since the launch of its first offers for Industry 4.0 and a virtuous business model that enables the Group to self-finance its growth.

Progress report

The four pillars of Lectra's 4.0 strategy remain as important as before.

With the acquisition of Gerber, Lectra's fundamentals have all been further strengthened. No competitor possesses anything as robust, rich and advanced as the Group's experience in the Industrial Internet of Things, business expertise in the relevant industry markets, mastery of technologies, customer base, presence, leadership and business model.

2020-2022 strategic roadmap

Acceleration towards Industry 4.0

In February 2020, the Group set four strategic priorities:

- First, accelerate organic growth. Lectra reinforces simultaneously its prospecting actions in order to increase its market shares, and its sales actions aimed at introducing new product lines to existing customers in order to generate higher revenues per customer. In addition, the Group encourages customers to migrate to its higher value-added offers and deploys programs to accelerate the replacement of older generations of equipment, whether made by Lectra or by competitors.
- Second, strengthen customer relations. The Group reviews its activities with a focus on how its solutions are actually used, in order to anticipate customers' expectations and personalize their interactions with Lectra. In particular, the Group progressively deploys customer success teams country by country. The teams seek to optimize customers' performance through the use of Lectra solutions, with the aim of creating a virtuous circle of greater perceived added value, therefore enhanced loyalty, and as a result, higher recurring revenues for the Group. This approach leads Lectra to adjust the mission of its sales and service teams and make greater use of digital technology in interactions with its customers.

- Third, extend the offers for Industry 4.0. These offers, whether in new product lines or as additions to existing software and equipment, present strong growth potential for Lectra. They enable customers to implement the principles of Industry 4.0 and address changes in consumer demand, including the desire for personalized products. Lectra therefore pursues its policy of investing in R&D, devoting 11% to 12% of its revenues over the 2020-2022 period to R&D, with the aim of strengthening its expertise in the areas of data and artificial intelligence. These investments enhance the value of existing offers and lead to the introduction of new offers for Industry 4.0.
- Fourth, develop new areas for growth. Continuing on from the previous roadmap, the Group intensifies its targeted acquisitions. Lectra privileges two types of targets. The first are strategic targets – mainly start-ups – that bring to market offers that could complete Lectra's current range of products, or that have technological "bricks" capable of being incorporated into its portfolio. The second are tactical targets that operate in the same industry as Lectra and would enable the Group to increase its market shares. At the same time, Lectra promotes open innovation and strengthens the resources allocated to its Innovation Lab located in the technological campus in Bordeaux-Cestas, while developing partnerships with different industry players.

Following the announcement of the acquisition of Gerber, Lectra added a fifth strategic priority: "Capture all synergies arising from the acquisition of Gerber Technology." Indeed, the two companies' many synergies will enable Lectra to introduce its product portfolio – particularly its Industry 4.0 offers – to Gerber's customers, while also optimizing cost-effectiveness by rationalizing the two companies' internal capacities.

Progress report

These five strategic priorities guided the Group's action in 2021.

The growing adoption of Lectra's offers for Industry 4.0 – Quick Estimate, Quick Nest, Flex Nest, Fashion On Demand by Lectra, Furniture On Demand by Lectra, Kubix Link and Retviews – confirms the relevance of Lectra's strategy and choices since 2017. In 2021, 230 new customers chose one of these offers for Industry 4.0, bringing the total number of customers using one or several of them to 500, in addition to a further 120 Neteven customers. This success can be seen in the rise in orders for new software subscription contracts in 2021 (see chapters 1 and 2).

Deployment of customer success teams began in early 2020 in Italy, France and the United States, and is continuing at a sustained pace in the rest of the world: 720 people, including 20 customer success managers dedicated to Industry 4.0 offers, provide day-to-day support to the Group's customers, with the objective of optimizing customer performance through the use of the Group's solutions. The number of customer success managers will continue to rise in the coming years, to provide support for growing numbers of customers using increasing offers.

Lectra has also maintained its policy of strong investment in R&D. For the Lectra 2020 scope, it came to 34.1 million euros, or 12.2% of revenues, in 2021. If the 2021 Acquisitions had been made on January 1, 2021, the amount would have totaled 50.8 million euros, or 10.9% of total 2021 pro forma revenues.

At December 31, 2021, the Group R&D team included 480 men and women, plus close to 50 outside service providers; no other company in the industry has this capacity for innovation.

Furthermore, Lectra continued to investigate potential acquisitions and, along with Gerber, acquired Neteven and Gemini. Other targeted acquisitions could be conducted in 2022 and subsequent years.

Lastly, immediately following the completion of the acquisition of Gerber on June 1, 2021, a plan to integrate the teams, processes and tools was defined. Since then, the teams have been thoroughly integrated, the first set of IT tools have been harmonized, commercial and human resources processes have been aligned, and the first short-term synergies have been achieved.

Sustainable, profitable growth

While the financial objectives announced in February 2020 had to be revised early in 2021 to take into account the consequences of the economic crisis arising from the COVID-19 epidemic and the acquisition of Gerber, the Group has maintained its commitment to delivering sustainable, profitable growth over the period 2021-2022.

In its 2020 Financial Report, published on February 10, 2021, Lectra announced that it had set the objective of returning in 2022 to the aggregate revenues generated by Lectra and Gerber in 2019, or 482 million euros.

Furthermore, the acquisition of Gerber will generate synergies in EBITDA before non-recurring items of which the amount should be between 12 and 18 million euros in 2022. Adding this impact to the expected operating performance of both groups, would bring the EBITDA before non-recurring items margin to between 17% and 20%.

The cash portion of the Gerber acquisition price (175 million euros) was funded by the Group's cash resources (135 million euros at December 31, 2020) and by the debt of 140 million euros.

Free cash flow generated by the new entity allows continued pursuit of the strategy of acquisitions, while maintaining the shareholder payment policy with dividends that over the roadmap period should represent a payout ratio of 40% to 50% of net income (excluding non-recurring items), and repayment of the debt.

Progress report

As indicated in chapter 4, revenues for the Lectra 2020 scope (279 million euros) were 19% higher in 2021 than in 2020 and return to their pre-crisis level (280 million euros in 2019).

Recurring revenues for the Lectra 2020 scope were higher than their pre-crisis level. Lectra thus strengthened its security ratio to a record 98.2% in 2021 for this scope and 94.3% with the impact of the acquisitions carried out in the fiscal year, reflecting the Group's determination to ensure sustainable, profitable business growth.

Lectra intends to pursue its policy of shareholder returns and acquisitions through the use of its available cash balances.

The Group's financial objectives for 2022 are set out in chapter 9.

4. LECTRA 2020 SCOPE

With an average exchange rate of $1.18/€1 in 2021, the US dollar was down 4% compared to 2020, while the yuan strengthened by 3% against the euro. Currency changes mechanically decreased revenues by 2.8 million euros (-1%) and income from operations before non-recurring items by 1.4 million euros (-3%) at actual exchange rates, compared to like-for-like figures.

Strong growth in orders, revenues, and income from operations before non-recurring

Revenues (279.1 million euros) increased by 19% (+18% at actual exchange rates) compared to those of 2020, which had suffered the effects of the health crisis.

Orders

Orders for perpetual software licenses, equipment and accompanying software, and non-recurring services (117.8 million euros) increased by 44%.

Orders for equipment and accompanying software (96.7 million euros), and training and consulting (12.8 million euros) increased by 52% and 43%, respectively. Orders for perpetual software licenses (6.3 million euros) decreased by 18% in light of the growing share of SaaS subscription sales.

Geographically, orders for perpetual software licenses, equipment and accompanying software, and non-recurring services increased by 64% in Asia-Pacific, 38% in Europe, 31% in the Americas and 23% in the rest of the world (including North Africa, South Africa, Turkey, and the Middle East). They increased by 65% in the automotive market, 37% in the fashion market, 36% in the furniture market and 20% in the other industries.

As for the annual value of new software subscription orders, it amounted to 6.1 million euros and more than doubled compared to 2020. The improvement was seen in all geographical areas and was attributable primarily to the fashion market.

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 (107.6 million euros) increased by 40%. They include mainly:

– perpetual software licenses (6.6 million euros), which decreased by 20% and accounted for 2% of revenues (4% in 2020);
– equipment and accompanying software (87.9 million euros), which increased by 54% and accounted for 31% of revenues (24% in 2020);
– training and consulting (11.1 million euros), which increased by 13% and accounted for 4% of revenues (4% in 2020).

The amount reported for orders for perpetual software licenses, equipment and accompanying software, and non-recurring services (117.8 million euros) was 10.2 million euros higher than the corresponding revenues figure (107.6 million euros). This difference is primarily due to the strong growth in orders, and issues regarding the availability of maritime transport, which have caused delays in shipping and invoicing.

Accordingly, at December 31, 2021, the order backlog for perpetual software licenses, equipment and accompanying software, and training and consulting stood at the particularly high level of 35.2 million euros. It increased by 11.4 million euros compared to December 31, 2020 at actual exchange rates and by 9.9 million euros like-for-like.

Revenues from recurring contracts, and consumables and parts

Revenues from recurring contracts—which represented 37% of revenues—amounted to 102.9 million euros, a 4% increase.

This revenue component is a key pillar of the Group's business model and constitutes a protective factor that has mitigated the impact of the COVID-19 crisis on revenues and results. The breakdown of revenues from recurring contracts is as follows:

– software subscriptions were 7.5 million euros, the double of 2020, and represented 3% of revenues;
– software maintenance contracts came to 36 million euros, down 3%, and represented 13% of revenues;
– equipment and accompanying software maintenance contracts were 59.4 million euros, up 3%, and represented 21% of revenues.

In parallel, revenues from consumables and parts (68.6 million euros) increased by 18% compared to 2020, which were affected by the acute reduction in business activity of the Group's customers due to the health crisis. They represented 25% of revenues (25% in 2020).

In total, recurring revenues (171.5 million euros) increased by 9%.

Gross profit

Gross profit amounted to 203 million euros, up 16% compared to 2020.

The overall gross profit margin was 72.7%, down 1.8 percentage points relative to 2020, due to the evolution of the product mix, and specifically the very strong growth in equipment and accompanying software revenues.

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

Total overhead costs were 163 million euros, up 9% compared to 2020 (+8% at actual exchange rates). The breakdown is as follows:

- 138 million euros in fixed overhead costs (-2%);
- 25 million euros in variable costs (multiplied by 2.6).

While fixed costs had continued to benefit from the cost-containment measures implemented in 2021, the sharp rise in variable costs, attributable mainly to the variable portion of compensation, profit sharing and the incentive plan, is explained by the very strong growth in orders for new systems, in revenues, and in earnings.

In 2021, results significantly exceeded objectives, which translated into a higher amount of variable compensation and employee incentive plan, as the calculation formula incorporates a multiplier effect when the objectives are exceeded. In 2020, the variable portion of compensation and employee incentive plan bonuses had both been particularly low, as the COVID-19 crisis prevented achievement of performance objectives.

Research and development costs (34.1 million euros), which are fully expensed in the period and included in fixed overhead costs, represented 12.2% of revenues (31.5 million euros and 13.3% of revenues in 2020). After deducting the research tax credit applicable in France and grants received, net research and development costs totaled 25.5 million euros (22.7 million euros in 2020).

Income from operations before non-recurring items

Income from operations before non-recurring items totaled 40 million euros, up 61% compared to 2020 (+56% at actual exchange rates).

The operating margin before non-recurring items was 14.3%, up 3.8 percentage points like-for-like, and 3.4 percentage points at actual exchange rates.

5. APPROPRIATION OF EARNINGS

Dividend at €0.36 per share

The Board of Directors will propose to the Shareholders' Meeting of April 29, 2022 the payment of a dividend at €0.36 per share in respect of fiscal year 2021. This dividend would represent a payout ratio of 48% of consolidated net income, 42% of net income excluding non-recurring items, and a yield of 0.9% based on the December 31, 2021 closing share price.

Previous dividends were €0.24 per share in respect of fiscal year 2020 and €0.40 per share in respect of fiscal years 2019 and 2018.

Subject to approval by the shareholders, the dividend will be made payable on May 6, 2022.

6. SHARE CAPITAL – OWNERSHIP – SHARE PRICE PERFORMANCE

Change in share capital

At December 31, 2021, the share capital totaled €37,742,959, divided into 37,742,959 shares with a par value of €1.00.

This includes the increase in the share capital by the nominal amount of €5,000,000 through the issue on June 1, 2021, of 5,000,000 new ordinary shares allotted to AIPCF VI LG Funding LP for the acquisition of Gerber, pursuant to a resolution by the Shareholders' Meeting held the same date. This capital increase was accompanied by a share issue premium in the amount of €117,500,000 and an amount of €42,750,000 directly recognized in the reserves.

The share capital has also increased since January 1, 2021, by the nominal amount of €231,308 (associated with a share issue premium of €2,797,067) due to the issue of 231,308 new shares resulting from the exercise of stock options.

Main shareholders

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 LP (United States) holds 13.2% of the capital and voting rights;
- Artisan Partners Limited Partnership (United States), acting on behalf of investment funds and customers that it manages, Brown Capital Management LLC (United States), acting on behalf of investment funds and customers that it manages, Kabouter Management LLC (United States), acting on behalf of investment funds and customers that it manages, and Kempen Oranje Participaties (The Netherlands), acting on behalf of the investment fund Kempen Oranje Participaties N.V. that it manages, 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, 2021, the Company held 0.02% of its own shares in treasury shares, solely within the framework of the liquidity agreement contracted with Exane BNP Paribas.

Share price performance and trading volumes

The Company's share price at December 31, 2021 was €42.00, up 68% compared to December 31, 2020 (€25.00). In 2021, it reached a low of €23.15 on January 28 and a high of €42.50 on November 25. According to Bloomberg, 14.2 million shares were traded on all platforms in 2021 (15.4 million in 2020), including 30% on Euronext.

In its press release of April 15, 2021, 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).

Since December 29, 2021, the Company's shares have been eligible for the Euronext Deferred Settlement Service (SRD), which allows French investors to defer settlement or delivery of shares.

7. SIGNIFICANT POST-CLOSING EVENTS SINCE DECEMBER 31, 2021

No significant event has occurred.

8. FINANCIAL CALENDAR

The Annual Shareholders' Meeting will take place on April 29, 2022.

First, second, and third quarter earnings for 2022 will be published on April 28, July 28, and October 26, 2022, respectively, after the close of trading on Euronext Paris.

Full-year earnings for 2022 will be published on February 8, 2023.

9. BUSINESS TRENDS AND OUTLOOK

While uncertainties persist regarding the evolution of the pandemic and its impacts on the macroeconomic environment (e.g., inflation, difficulties in the automotive industry, and transportation costs), and could continue to weigh on investment decisions by the Group's customers, still the rebound in orders and in earnings recorded in 2021 have confirmed the relevance of Lectra’s strategy and the strength of its business model.

The acquisitions made in 2021, and particularly the acquisition of Gerber, give the Group a new dimension and open new perspectives.

At the same time, the new offers for Industry 4.0 are increasingly contributing to revenues and earnings.

Finally, the very strong balance sheet, with shareholders' equity of 400 million euros and net financial debt held at 9 million euros at December 31, 2021, enables the Group to implement its long-term strategy in a serene manner.

Financial objectives for 2022

In the February 8, 2021 announcement of Lectra's proposal to acquire Gerber, the Group reported on the 2022 financial objectives for the combined entity: returning to the level of combined revenue achieved by Lectra and Gerber in 2019, which came to 482 million euros, and generating an EBITDA margin before non-recurring items in the range of 17% to 20% by adding the expected synergies to the operational performance of the two groups.

Lectra subsequently acquired Neteven and Gemini, the rebound in activity in 2021 was greater than the Group expected and the dollar strengthened against the euro.

In light of the above, the Group has raised its objectives for 2022, with revenues in the range of 508 to 556 million euros (+ 31% to + 43% at actual exchange rates) and EBITDA before non-recurring items in the range of 92 to 104 million euros (+ 41% to + 60% at actual exchange rates).

These objectives were prepared on the basis of the closing exchange rates on December 31, 2021, and particularly $1.13 to the euro.

The Board of Directors
February 9, 2022

ADDITIONAL INFORMATION – FOURTH QUARTER 2021

LECTRA 2020 SCOPE

ORDERS FOR NEW SYSTEMS – LIKE-FOR-LIKE

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

(in thousands of euros)	Three Months Ended December 31 – 2021 Actual	2021 %	2021 At 2020 exchange rates	2020 Actual	2020 %	Changes 2021/2020 Actual	Changes 2021/2020 Like-for-like
Perpetual software licenses	1,295	4%	1,265	2,075	7%	-38%	-39%
Equipment and accompanying software	26,863	82%	26,086	22,631	82%	+19%	+15%
Training and consulting services	4,153	13%	4,097	2,522	9%	+65%	+62%
Miscellaneous	596	2%	590	468	2%	+27%	+26%
Total	32,908	100%	32,039	27,697	100%	+19%	+16%
€ / $ average parity	*1.14*		*1.19*	*1.19*			

New software subscriptions

(in thousands of euros)	Three Months Ended December 31 – 2021 Actual	2021 %	2021 At 2020 exchange rates	2020 Actual	2020 %	Changes 2021/2020 Actual	Changes 2021/2020 Like-for-like
Annual value of new software subscriptions	1,753	na	1,731	1,101	na	+59%	+57%
€ / $ average parity	*1.14*		*1.19*	*1.19*			

BREAKDOWN OF REVENUES – LIKE-FOR-LIKE

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

(in thousands of euros)	Three Months Ended December 31 – 2021 Actual	2021 %	2021 At 2020 exchange rates	2020 Actual	2020 %	Changes 2021/2020 Actual	Changes 2021/2020 Like-for-like
Europe, of which:	30,833	40%	30,767	27,535	42%	+12%	+12%
- France	5,902	8%	5,903	4,397	7%	+34%	+34%
Americas	20,292	27%	19,501	18,951	29%	+7%	+3%
Asia-Pacific	19,825	26%	18,940	14,366	22%	+38%	+32%
Other countries	5,237	7%	5,155	4,761	7%	+10%	+8%
Total	76,187	100%	74,362	65,614	100%	+16%	+13%
€ / $ average parity	*1.14*		*1.19*	*1.19*			

Revenues by type of business

(in thousands of euros)	Three Months Ended December 31 – 2021 Actual	2021 %	2021 At 2020 exchange rates	2020 Actual	2020 %	Changes 2021/2020 Actual	Changes 2021/2020 Like-for-like
Revenues from perpetual software licenses, equipment and accompanying software, and non-recurring services, of which:	30,970	41%	30,170	23,252	35%	+33%	+30%
- Perpetual software licenses	1,579	2%	1,547	2,661	4%	-41%	-42%
- Equipment and accompanying software	25,652	34%	24,934	17,626	27%	+46%	+41%
- Training and consulting services	3,143	4%	3,099	2,497	4%	+26%	+24%
- Miscellaneous	596	1%	590	468	1%	+27%	+26%
Recurring revenues, of which:	45,217	59%	44,192	42,362	65%	+7%	+4%
- Software subscriptions	2,346	3%	2,330	1,144	2%	+105%	+104%
- Software maintenance contracts	9,319	12%	9,194	9,287	14%	0%	-1%
- Equipment and accompanying software maintenance contracts	15,424	20%	15,006	14,403	22%	+7%	+4%
- Consumables and parts	18,129	24%	17,661	17,528	27%	+3%	+1%
Total	76,187	100%	74,362	65,614	100%	+16%	+13%
€ / $ average parity	*1.14*		*1.19*	*1.19*			

LECTRA 2020 SCOPE

CONSOLIDATED INCOME STATEMENT – LIKE-FOR-LIKE

	Three months ended December 31				
	2021		2020	Changes 2021/2020	
(in thousands of euros)	Actual	At 2020 exchange rates	Actual	Actual	Like-for-like
Revenues	76,187	74,362	65,614	+16%	+13%
Cost of goods sold	(21,325)	(21,190)	(17,651)	+21%	+20%
Gross profit	54,862	53,172	47,963	+14%	+11%
(in % of revenues)	72.0%	71.5%	73.1%	-1.1 points	-1.6 points
Research and development	(7,017)	(7,017)	(6,120)	+15%	+15%
Selling, general and administrative expenses	(35,906)	(35,569)	(31,808)	+13%	+12%
Income from operations before non-recurring items	11,939	10,586	10,035	+19%	+5%
(in % of revenues)	15.7%	14.2%	15.3%	+0.4 points	-1.1 points
Non-recurring expenses	(199)	(199)	(786)	ns	ns
Income from operations	11,741	10,388	9,250	+27%	+12%
(in % of revenues)	15.4%	14.0%	14.1%	+1.3 points	-0.1 points
Income before tax	11,155	9,802	8,959	+25%	+9%
Income tax	(2,366)	na	(2,407)	-2%	na
Net income	8,788	na	6,551	**+34%**	**na**
of which, Group share	**8,794**	**na**	**6,504**	**+35%**	**na**
of which, Non-controlling interests	(6)	na	47	ns	na
Income from operations before non-recurring items	11,939	10,586	10,035	+19%	+5%
+ Net depreciation and amortization of non-current assets	2,913	2,899	3,098	-6%	-6%
EBITDA before non-recurring items	14,852	13,485	13,134	+13%	+3%
(in % of revenues)	19.5%	18.1%	20.0%	-0.5 points	-1.9 points
€ / $ average parity	*1.14*	*1.19*	*1.19*		

ADDITIONAL INFORMATION – FULL YEAR 2021

LECTRA 2020 SCOPE

ORDERS FOR NEW SYSTEMS – LIKE-FOR-LIKE

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

1.1. by product line

	Twelve Months Ended December 31						
	2021			2020		Changes 2021/2020	
(in thousands of euros)	Actual	%	At 2020 exchange rates	Actual	%	Actual	Like-for-like
Perpetual software licenses	6,285	5%	6,363	7,751	9%	-19%	-18%
Equipment and accompanying software	96,690	82%	97,568	64,277	78%	+50%	+52%
Training and consulting services	12,819	11%	12,894	9,014	11%	+42%	+43%
Miscellaneous	2,001	2%	2,009	1,594	2%	+26%	+26%
Total	117,796	100%	118,834	82,636	100%	+43%	+44%
€ / $ average parity	*1.18*		*1.14*	*1.14*			

1.2. by region

	Twelve Months Ended December 31						
	2021			2020		Changes 2021/2020	
(in thousands of euros)	Actual	%	At 2020 exchange rates	Actual	%	Actual	Like-for-like
Europe	42,288	36%	42,248	30,549	37%	+38%	+38%
Americas	24,879	21%	25,827	19,748	24%	+26%	+31%
Asia-Pacific	43,990	37%	44,234	27,018	33%	+63%	+64%
Other countries	6,638	6%	6,524	5,321	6%	+25%	+23%
Total	117,796	100%	118,834	82,636	100%	+43%	+44%
€ / $ average parity	*1.18*		*1.14*	*1.14*			

1.3. by market

	Twelve Months Ended December 31						
	2021			2020		Changes 2021/2020	
(in thousands of euros)	Actual	%	At 2020 exchange rates	Actual	%	Actual	Like-for-like
Fashion	53,019	45%	53,626	39,162	47%	+35%	+37%
Automotive	38,969	33%	39,274	23,837	29%	+63%	+65%
Furniture	20,394	17%	20,478	15,092	18%	+35%	+36%
Other industries	5,414	5%	5,456	4,545	6%	+19%	+20%
Total	117,796	100%	118,834	82,636	100%	+43%	+44%
€ / $ average parity	*1.18*		*1.14*	*1.14*			

2. New software subscriptions

	Twelve Months Ended December 31						
	2021			2020		Changes 2021/2020	
(in thousands of euros)	Réel	%	At 2020 exchange rates	Actual	%	Actual	Like-for-like
Annual value of new software subscriptions	6,066	na	6,091	2,868	na	+112%	+112%
€ / $ average parity	*1.18*		*1.14*	*1.14*			

LECTRA 2020 SCOPE

BREAKDOWN OF REVENUES – LIKE-FOR-LIKE

Revenues by region

	Twelve Months Ended December 31						
	2021			2020		Changes 2021/2020	
(in thousands of euros)	Actual	%	At 2020 exchange rates	Actual	%	Actual	Like-for-like
Europe, of which:	110,099	40%	110,096	100,770	43%	+9%	+9%
- France	19,647	7%	19,641	16,512	7%	+19%	+19%
Americas	71,427	26%	73,963	63,455	27%	+13%	+17%
Asia-Pacific	79,458	28%	79,867	55,088	23%	+44%	+45%
Other countries	18,127	6%	17,944	16,870	7%	+7%	+6%
Total	279,111	100%	281,870	236,182	100%	+18%	+19%
€ / $ average parity	*1.18*		*1.14*	*1.14*			

Revenues by type of business

	Twelve Months Ended December 31						
	2021			2020		Changes 2021/2020	
(in thousands of euros)	Actual	%	At 2020 exchange rates	Actual	%	Actual	Like-for-like
Revenues from perpetual software licenses, equipment and accompanying software, and non-recurring services, of which:	107,600	39%	108,539	77,681	33%	+39%	+40%
- Perpetual software licenses	6,642	2%	6,703	8,418	4%	-21%	-20%
- Equipment and accompanying software	87,856	31%	88,644	57,742	24%	+52%	+54%
- Training and consulting services	11,101	4%	11,183	9,927	4%	+12%	+13%
- Miscellaneous	2,001	1%	2,009	1,594	1%	+26%	+26%
Recurring revenues, of which:	171,511	61%	173,331	158,501	67%	+8%	+9%
- Software subscriptions	7,457	3%	7,496	3,669	2%	+103%	+104%
- Software maintenance contracts	36,016	13%	36,185	37,463	16%	-4%	-3%
- Equipment and accompanying software maintenance contracts	59,391	21%	60,090	58,205	25%	+2%	+3%
- Consumables and parts	68,646	25%	69,560	59,164	25%	+16%	+18%
Total	279,111	100%	281,870	236,182	100%	+18%	+19%
€ / $ average parity	*1.18*		*1.14*	*1.14*			

LECTRA 2020 SCOPE

CONSOLIDATED INCOME STATEMENT – LIKE-FOR-LIKE

	Twelve months ended December 31				
	2021		2020	Changes 2021/2020	
(in thousands of euros)	Actual	At 2020 exchange rates	Actual	Actual	Like-for-like
Revenues	279,111	281,870	236,182	+18%	+19%
Cost of goods sold	(76,139)	(76,504)	(59,696)	+28%	+28%
Gross profit	202,972	205,366	176,486	+15%	+16%
(in % of revenues)	72.7%	72.9%	74.7%	-2.0 points	-1.8 points
Research and development	(25,460)	(25,460)	(22,689)	+12%	+12%
Selling, general and administrative expenses	(137,541)	(138,524)	(128,157)	+7%	+8%
Income from operations before non-recurring items	39,972	41,382	25,640	+56%	+61%
(in % of revenues)	14.3%	14.7%	10.9%	+3.4 points	+3.8 points
Non-recurring expenses	(6,452)	(6,452)	(786)	ns	ns
Income from operations	33,521	34,931	24,854	+35%	+41%
(in % of revenues)	12.0%	12.4%	10.5%	+1.5 points	+1.9 points
Income before tax	32,353	33,763	23,709	+36%	+42%
Income tax	(6,798)	na	(6,131)	+11%	na
Net income	25,555	na	17,578	**+45%**	**na**
of which, Group share	**25,472**	**na**	**17,529**	**+45%**	**na**
of which, Non-controlling interests	83	na	49	+69%	na
Income from operations before non-recurring items	39,972	41,382	25,640	+56%	+61%
+ Net depreciation and amortization of non-current assets	11,655	11,741	11,853	-2%	-1%
EBITDA before non-recurring items	51,627	53,123	37,493	+38%	+42%
(in % of revenues)	18.5%	18.8%	15.9%	+2.6 points	+2.9 points
€ / $ average parity	*1.18*	*1.14*	*1.14*		

ADDITIONAL INFORMATION – FOURTH QUARTER 2021

LECTRA 2021 SCOPE, WHICH INCLUDES GERBER TECHNOLOGY, NETEVEN AND GEMINI CAD SYSTEMS FOR THE THREE MONTHS

BREAKDOWN OF REVENUES – ACTUAL

Revenues by type of business

	Three Months Ended December 31							
	2021						2020	Changes 2021/2020
(in thousands of euros)	Lectra 2020 scope	%	2021 Acquisitions [1]	%	**Lectra 2021 scope**	%	**Lectra 2020 scope**	Actual
Revenues from perpetual software licenses, equipment and accompanying software, and non-recurring services, of which:	30,970	41%	21,435	43%	**52,405**	42%	**23,252**	+125%
- Perpetual software licenses	1,579	2%	3,026	6%	4,604	4%	2,661	+73%
- Equipment and accompanying software	25,652	34%	16,730	34%	42,382	34%	17,626	+140%
- Training and consulting services	3,143	4%	966	2%	4,108	3%	2,497	+65%
- Miscellaneous	596	1%	714	1%	1,311	1%	468	+180%
Recurring revenues, of which:	45,217	59%	27,933	57%	**73,150**	58%	**42,362**	+73%
- Software subscriptions	2,346	3%	1,722	3%	4,068	3%	1,144	+256%
- Software maintenance contracts	9,319	12%	3,766	8%	13,085	10%	9,287	+41%
- Equipment and accompanying software maintenance contracts	15,424	20%	6,868	14%	22,292	18%	14,403	+55%
- Consumables and parts	18,129	24%	15,577	32%	33,705	27%	17,528	+92%
Total	76,187	100%	49,368	100%	**125,555**	100%	**65,614**	+91%
€ / $ average parity	*1.14*		*1.14*		*1.14*		*1.19*	

(1) Gerber Technology, Neteven and Gemini CAD Systems contributed 47,940 thousand euros, 971 thousand euros and 457 thousand euros to revenues, respectively.

CONSOLIDATED INCOME STATEMENT – ACTUAL

	Three months ended December 31				
	2021			2020	Changes 2021/2020
(in thousands of euros)	Lectra 2020 scope	2021 Acquisitions [1]	**Lectra 2021 scope**	**Lectra 2020 scope**	Actual
Revenues	76,187	49,368	125,555	65,614	+91%
Cost of goods sold	(21,325)	(21,107)	(42,432)	(17,651)	+140%
Gross profit	54,862	28,261	83,123	47,963	+73%
(in % of revenues)	72.0%	57.2%	66.2%	73.1%	-6.9 points
Research and development	(7,017)	(4,131)	(11,148)	(6,120)	+82%
Selling, general and administrative expenses	(35,906)	(21,295)	(57,200)	(31,808)	+80%
Income from operations before non-recurring items	11,939	2,835	14,775	10,035	+47%
(in % of revenues)	15.7%	5.7%	11.8%	15.3%	-3.5 points
Non-recurring income	-	942	942	-	na
Non-recurring expenses	(199)	(489)	(688)	(786)	-12%
Income from operations	11,741	3,288	15,029	9,250	+62%
(in % of revenues)	15.4%	6.7%	12.0%	14.1%	-2.1 points
Income before tax	11,155	2,662	13,816	8,959	+54%
Income tax	(2,366)	(25)	(2,391)	(2,407)	-1%
Net income	**8,788**	**2,637**	**11,425**	**6,551**	**+74%**
of which, Group share	**8,794**	**2,721**	**11,515**	**6,504**	**77%**
of which, Non-controlling interests	(6)	(84)	(90)	47	ns
Income from operations before non-recurring items	11,939	2,835	14,775	10,035	+47%
+ Net depreciation and amortization of non-current assets	2,913	4,079	6,992	3,098	+126%
EBITDA before non-recurring items	14,852	6,914	21,766	13,134	+66%
(in % of revenues)	19.5%	14.0%	17.3%	20.0%	-2.7 points
€ / $ average parity	*1.14*	*1.14*	*1.14*	*1.19*	

(1) Gerber Technology contributed 47,940 thousand euros to revenues and 6,748 thousand euros to EBITDA before non-recurring items.
Neteven and Gemini CAD Systems contributed 971 thousand euros and 457 thousand euros to revenues, respectively, and 166 thousand euros overall to EBITDA before non-recurring items.

ADDITIONAL INFORMATION – FULL YEAR 2021

LECTRA 2021 SCOPE, WHICH INCLUDES SEVEN MONTHS OF GERBER TECHNOLOGY, FIVE MONTHS OF NETEVEN AND THREE MONTHS OF GEMINI CAD SYSTEMS

BREAKDOWN OF REVENUES – ACTUAL

Revenues by type of business

	Twelve Months Ended December 31							
	2021						2020	Changes 2021/2020
(in thousands of euros)	Lectra 2020 scope	%	2021 Acquisitions [1]	%	**Lectra 2021 scope**	%	**Lectra 2020 scope**	Actual
Revenues from perpetual software licenses, equipment and accompanying software, and non-recurring services, of which:	107,600	39%	45,250	42%	**152,850**	39%	**77,681**	+97%
- Perpetual software licenses	6,642	2%	5,432	5%	12,073	3%	8,418	+43%
- Equipment and accompanying software	87,856	31%	36,332	33%	124,189	32%	57,742	+115%
- Training and consulting services	11,101	4%	1,765	2%	12,866	3%	9,927	+30%
- Miscellaneous	2,001	1%	1,721	2%	3,722	1%	1,594	+133%
Recurring revenues, of which:	171,511	61%	63,222	58%	**234,734**	61%	**158,501**	+48%
- Software subscriptions	7,457	3%	3,037	3%	10,494	3%	3,669	+186%
- Software maintenance contracts	36,016	13%	8,500	8%	44,516	11%	37,463	+19%
- Equipment and accompanying software maintenance contracts	59,391	21%	15,502	14%	74,893	19%	58,205	+29%
- Consumables and parts	68,646	25%	36,184	33%	104,830	27%	59,164	+77%
Total	279,111	100%	108,472	100%	**387,583**	100%	**236,182**	+64%
€ / $ average parity	*1.18*		*1.17*		*1.18*		*1.14*	

(1) Gerber Technology, Neteven and Gemini CAD Systems contributed 106,568 thousand euros, 1,447 thousand euros and 457 thousand euros to revenues, respectively.

CONSOLIDATED INCOME STATEMENT – ACTUAL

	Twelve months ended December 31				
	2021			2020	Changes 2021/2020
(in thousands of euros)	Lectra 2020 scope	2021 Acquisitions [1]	**Lectra 2021 scope**	**Lectra 2020 scope**	Actual
Revenues	279,111	108,472	387,583	236,182	+64%
Cost of goods sold	(76,139)	(48,869)	(125,008)	(59,696)	+109%
Gross profit	202,972	59,603	262,575	176,486	+49%
(in % of revenues)	72.7%	54.9%	67.7%	74.7%	-7.0 points
Research and development	(25,460)	(8,522)	(33,981)	(22,689)	+50%
Selling, general and administrative expenses	(137,541)	(46,671)	(184,212)	(128,157)	+44%
Income from operations before non-recurring items	39,972	4,410	44,382	25,640	+73%
(in % of revenues)	14.3%	4.1%	11.5%	10.9%	+0.6 points
Non-recurring income	-	942	942	-	na
Non-recurring expenses	(6,452)	(617)	(7,068)	(786)	ns
Income from operations	33,521	4,736	38,256	24,854	+54%
(in % of revenues)	12.0%	4.4%	9.9%	10.5%	-0.6 points
Income before tax	32,353	3,616	35,969	23,709	+52%
Income tax	(6,798)	(928)	(7,725)	(6,131)	+26%
Net income	**25,555**	**2,688**	**28,244**	**17,578**	**+61%**
of which, Group share	**25,472**	**2,782**	**28,255**	**17,529**	**61%**
of which, Non-controlling interests	83	(94)	(11)	49	ns
Income from operations before non-recurring items	39,972	4,410	44,382	25,640	+73%
+ Net depreciation and amortization of non-current assets	11,655	9,087	20,743	11,853	+75%
EBITDA before non-recurring items	51,627	13,497	65,125	37,493	+74%
(in % of revenues)	18.5%	12.4%	16.8%	15.9%	+0.9 points
€ / $ average parity	*1.18*	*1.17*	*1.18*	*1.14*	

(1) Gerber Technology contributed 106,568 thousand euros to revenues and 13,314 thousand euros to EBITDA before non-recurring items. Neteven and Gemini CAD Systems contributed 1,447 thousand euros and 457 thousand euros to revenues, respectively, and 183 thousand euros overall to EBITDA before non-recurring items.

Company certification of the fourth quarter and fiscal year 2021 report

We certify that, to our knowledge, the financial statements of the fourth quarter and fiscal year 2021 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 2021 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 9, 2022

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)	2021[1]	2020
Goodwill	275,250	46,528
Other intangible assets	138,084	4,665
Leasing rights-of-use	28,543	15,429
Property, plant and equipment	28,060	25,067
Other non-current assets	24,638	20,992
Deferred tax assets	9,047	7,950
Total non-current assets	503,622	120,631
Inventories	59,650	29,519
Trade accounts receivable	82,948	43,009
Other current assets	19,153	13,076
Cash and cash equivalents	130,586	134,626
Total current assets	292,337	220,230
Total assets	**795,959**	**340,861**

EQUITY AND LIABILITIES

(in thousands of euros)	2021[1]	2020
Share capital	37,743	32,512
Share premium	139,511	19,387
Treasury shares	(271)	(343)
Currency translation adjustments	12,132	(11,293)
Retained earnings and net income	208,947	151,750
Non-controlling interests	2,724	160
Total equity	400,786	192,173
Retirement benefit obligations	11,348	11,995
Non-current lease liabilities	25,930	10,434
Minority shares purchase commitment	9,500	2,165
Borrowings, non-current portion	118,284	-
Total non-current liabilities	165,062	24,594
Trade and other current payables	110,852	53,657
Deferred revenues	77,822	56,690
Current income tax liabilities	4,586	2,958
Current lease liabilities	8,500	5,411
Minority shares purchase commitment	2,464	2,332
Borrowings, current portion	21,102	-
Provisions for other liabilities and charges	4,785	3,046
Total current liabilities	230,111	124,094
Total equity and liabilities	**795,959**	**340,861**

(1) The 2021 amounts integrate Gerber Technology, Neteven and Gemini CAD Systems (see note 3 hereafter).

CONSOLIDATED INCOME STATEMENT

Twelve months ended December 31 (in thousands of euros)	2021 [1]	2020
Revenues	387,583	236,182
Cost of goods sold	(125,008)	(59,696)
Gross profit	262,575	176,486
Research and development	(33,981)	(22,689)
Selling, general and administrative expenses	(184,212)	(128,157)
Income from operations before non-recurring items	44,382	25,640
Non-recurring income	942	-
Non-recurring expenses [2]	(7,068)	(786)
Income from operations	38,256	24,854
Financial income	551	94
Financial expenses	(2,064)	(541)
Foreign exchange income (loss)	(774)	(699)
Income before tax	35,969	23,709
Income tax	(7,725)	(6,131)
Net income	**28,244**	**17,578**
of which, Group share	**28,255**	**17,529**
of which, Non-controlling interests	(11)	49

(in euros)		
Earnings per share, Group share:		
- basic	0.80	0.54
- diluted	0.78	0.54
Shares used in calculating earnings per share [3]:		
- basic	35,538,978	32,227,995
- diluted	36,027,933	32,490,553

(in thousands of euros)		
Income from operations before non-recurring items	44,382	25,640
+ Net depreciation and amortization of non-current assets	20,743	11,853
EBITDA before non-recurring items	65,125	37,493

STATEMENT OF COMPREHENSIVE INCOME, GROUP SHARE [4]

Twelve months ended December 31 (in thousands of euros)	2021 [1]	2020
Net income, Group share	28,255	17,529
Currency translation adjustments	23,188	(1,562)
Tax effect	237	(249)
Other comprehensive income to be reclassified in net income	23,425	(1,812)
Remeasurement of the net liability arising from defined benefits pension plans	912	(324)
Tax effect	(248)	92
Other comprehensive income not to be reclassified in net income	664	(232)
Total other comprehensive income	24,089	(2,044)
Comprehensive income, Group share	**52,344**	**15,485**

(1) The 2021 amounts integrate Gerber Technology, Neteven and Gemini CAD Systems (see note 3 hereafter).
(2) This amount corresponds to fees and other costs relating to the acquisition of Gerber Technology (see note 3 hereafter).
(3) The 5 million Lectra shares issued on June 1, 2021 for the acquisition of Gerber Technology have been included pro-rata temporis 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 (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)	2021[1]	2020
I - OPERATING ACTIVITIES		
Net income	28,244	17,578
Net depreciation and amortization (non-current assets)	20,743	11,853
Net depreciation and provisions (current assets)	840	4,014
Non-cash operating expenses	748	408
Loss (profit) on sale of fixed assets	(32)	22
Changes in deferred income taxes	(100)	140
Changes in inventories	(12,992)	(1,082)
Changes in trade accounts receivable	35	12,204
Changes in other current assets and liabilities	22,941	(1,331)
Changes in other operating non-current assets	(5,917)	(7,776)
Net cash provided by (used in) operating activities	54,509	36,030
II - INVESTING ACTIVITIES		
Purchases of intangible assets	(3,020)	(2,205)
Purchases of property, plant and equipment	(3,153)	(2,198)
Proceeds from sales of intangible and tangible assets	63	26
Acquisition cost of companies purchased[2]	(180,980)	-
Purchases of financial assets[3]	(10,075)	(5,306)
Proceeds from sales of financial assets[3]	9,820	4,648
Net cash provided by (used in) investing activities	(187,345)	(5,035)
III - FINANCING ACTIVITIES		
Proceeds from issuance of ordinary shares	2,855	3,998
Proceeds from issuance of ordinary shares to non controlling interests	1,204	-
Dividend paid	(7,820)	(12,844)
Change in share of interests in controlled entities[4]	(1,363)	(878)
Purchases of treasury shares	(9,486)	(4,620)
Sales of treasury shares	9,914	5,018
Repayment of lease liabilities	(8,649)	(5,844)
Proceeds from long term and short term borrowings	139,214	-
Net cash provided by (used in) financing activities	125,869	(15,170)
Increase (decrease) in cash and cash equivalents	**(6,967)**	**15,825**
Cash and cash equivalents at opening	134,626	120,558
Increase (decrease) in cash and cash equivalents	(6,967)	15,825
Effect of changes in foreign exchange rates	2,927	(1,757)
Cash and cash equivalents at closing	130,586	134,626
Net cash provided by (used in) operating activities	54,509	36,030
+ Net cash provided by (used in) investing activities	(187,345)	(5,035)
- Acquisition cost of companies purchased	180,980	-
- Repayment of lease liabilities	(8,649)	(5,844)
Free cash flow before non-recurring items	39,495	25,151
Non-recurring items of the free cash flow	(8,012)	-
Free cash flow	47,507	25,151
Income tax (paid) / reimbursed, net	(4,323)	(4,673)
Interest paid on lease liabilities	(279)	(155)
Interest paid	(605)	-

(1) The 2021 amounts integrate Gerber Technology, Neteven and Gemini CAD Systems (see note 3 hereafter).
(2) In 2021, this amount corresponds to the acquisition cost, net of cash acquired, of Gerber Technology, Neteven and 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 staggered purchases of additional 10% of Retviews, performed between July 2020 and July 2021 (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 January 1, 2020	32,099,100	1.00	32,099	15,802	(698)	(9,481)	145,141	182,863	159	183,022
Net income							17,529	17,529	49	17,578
Other comprehensive income						(1,812)	(232)	(2,044)		(2,044)
Comprehensive income						(1,812)	17,297	15,485	49	15,534
Exercised stock options	412,551	1.00	413	3,585				3,998		3,998
Fair value of stock options							955	955		955
Sale (purchase) of treasury shares					355			355		355
Profit (loss) on treasury shares							29	29		29
Minority shares purchase for Retviews(1)							1,172	1,172	(48)	1,124
Dividend paid							(12,844)	(12,844)		(12,844)
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 (2)	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(1)							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 September 30, 2021	**37,742,959**	**1.00**	**37,743**	**139,511**	**(271)**	**12,132**	**208,947**	**398,062**	**2,724**	**400,786**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2021

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 cut costs; to reduce time-to-market; to meet the challenges of globalization; to enhance product quality; to increase production capacity; and to develop 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 revenues from software licenses, equipment and non-recurring services, and recurring revenues;
- 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 revenues.

Lectra welcomes customers from around the world in its International Advanced Technology & Conference Centers in Bordeaux-Cestas (France), Atlanta (USA), New York (USA) and Shanghai (China). The Group has seven international Call Centers, based in Bordeaux-Cestas (France), Madrid (Spain), Milan (Italy), Porto (Portugal), Atlanta (USA), Tolland (USA) 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 Call 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 more than 2,400 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, 2021 have been prepared in accordance with the same rules and methods as those applied in the preparation of the 2020 financial statements, with the exception of the IAS 19 standard, the implementation of which was clarified by the IFRS IC in May 2021, as presented below. They have been prepared under the responsibility of the Board of Directors that reviewed and approved them at its meeting of February 9, 2022. 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, 2022, which will approve the notes to the consolidated financial statements. The Q4 financial statements have not been reviewed separately by the statutory auditors.

The Group has not early adopted any other standards, amendments or interpretations whose application is not required for fiscal years starting from January 1, 2021.

Except for the clarification on the implementation of IAS 19, the Group's financial statements are not impacted by the other standards, amendments or interpretations changes.

IFRS IC clarification of the implementation of IAS 19 – Employee Benefits

The Group implemented the IFRS IC decision related to the implementation of IAS 19, called Attributing Benefits to Periods of Service.

This decision entailed a change in the calculation of post-employment benefits within the Group, although limited to lump-sum termination payments applicable in France, since the Group's analysis concluded that there was no impact in the other countries.

The Group has deemed the cumulated impacts of this implementation on January 1, 2021 to be not significant; compared to the amounts published for December 31, 2020, they are as follows:

- decrease of retirement benefit obligations by 904 thousand euros;
- decrease of deferred tax assets by 245 thousand euros;
- increase of retained earnings (Equity – Group share) by 659 thousand euros.

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 revenues 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.

Revenues

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 company 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.

Specialized 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 revenues, which are included under 'Selling, General and Administrative Expenses'.

Research and development costs

The technical feasibility of software and hardware developed by the Group is generally not established until a prototype has been produced or until feedback is received from its pilot sites, 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 revenues.

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 operating segments presented 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'.

Operating segments refer to the major marketing regions that combine countries with similar economic characteristics in terms of type of product and service, customer type and distribution method. The regions concerned are: the Americas; Northern and Eastern Europe and Middle East; 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 operating segment referred to here as the ‘Corporate’ segment.

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

3. SCOPE OF CONSOLIDATION

At December 31, 2021, the Group’s scope of consolidation comprised the parent company, Lectra SA, together with 58 fully-consolidated companies, 25 of which come from the acquisition of Gerber.

Acquisition of Gemini

On September 6, 2021, the Group announced the acquisition of the Romanian company Gemini.

The transaction involved, in 2021, the acquisition of 60% of the capital and voting rights of 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 is in the process of being finalized. As of today, the main impacts on the Group’s financial statements are:

- goodwill recorded for an amount of 6 million euros;
- non-controlling interests recorded for an amount of 1 million euros, measured at their proportionate share in the net assets acquired (using the "partial goodwill method");
- a debt to recognize the minority shares purchase commitment, measured at fair value, recorded for a total amount of 7 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, net of cash acquired, for an amount of 7.1 million euros.

Gemini has been fully consolidated since September 27, 2021.

Moreover, a capital increase in the amount of 3 million euros took place in October 2021, 40% of which was subscribed by non-controlling interests (and appear on the corresponding caption in the statement of cash-flows), as Lectra subscribed to the remaining 60%.

Acquisition of Neteven

On June 24, 2021, the Group announced the acquisition of the French company Neteven.

The transaction involved, in 2021, the acquisition of 80% of the capital and voting rights of 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 revenues.

The purchase price accounting is in the process of being finalized. As of today, the main impacts on the Group’s financial statements are:

- goodwill recorded for an amount of 10.8 million euros;
- non-controlling interests recorded for an amount of 0.5 million euros, measured at their proportionate share in the net assets acquired (using the "partial goodwill method");
- a debt to recognize the minority shares purchase commitment, measured at fair value, recorded for a total amount of 2.5 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, net of cash acquired, for an amount of 11.8 million euros.

Neteven has been fully consolidated since July 28, 2021.

Acquisition of Gerber

On June 1, 2021, Lectra 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 are still on-going, but provisional amounts have been calculated, that might be reviewed in the future.

The Group was assisted in its work by external experts, specialized in valuation and accounting transition.

The fair value of net assets acquired and liabilities assumed was 139.4 million euros at June 1, 2021.

This amount included in particular:

- intangible assets related to brands, technologies and customer relationships identified through purchase accounting for a total 151 million US dollars (124 million euros at June 1, 2021 exchange rate);
- the impacts of IFRS 16 implementation on Gerber lease agreements, taking into account that the lease for the main site at Tolland (USA) was signed for a rent amount now grossly above local market prices, leading to a decrease in the valuation of the associated right-of-use.

Moreover, some elements within the assets acquired and liabilities assumed, such as earn-outs for past acquisitions made by Gerber, or bonuses for some Gerber employees related to the acquisition by Lectra, were paid after the acquisition date, but the previous shareholder had left the necessary cash to settle these liabilities. Upon payment for these amounts, the cash-out or cash-in will be netted out with the cash acquired, instead of appearing as a flow of the period, in the consolidated statement of cash-flows (“Pre-financed amounts” in the following table).

The net amount of identifiable assets and liabilities at June 1, 2021 was as follows:

ASSETS

(in thousands of euros)	**Amounts at June 1, 2021**	*of which, Intangible assets*	*of which, Lease agreements*	*of which, Pre-financed amounts*
Intangible assets	125,237	123,760	-	-
Leasing rights-of-use	15,942	-	15,942	-
Property, plant and equipment	4,045	-	-	-
Other non-current assets	2,133	-	-	-
Deferred tax assets	1,133	-	-	-
Total non-current assets	148,490	123,760	15,942	-
Inventories	17,267	-	-	-
Trade accounts receivable	29,572	-	-	-
Other current assets	3,384	-	(170)	1,420
Cash and cash equivalents	15,030	-	-	3,205
Total current assets	65,252	-	(170)	4,624
Total assets acquired	**213,742**	**123,760**	**15,772**	**4,624**

LIABILITIES

(in thousands of euros)	**Amounts at June 1, 2021**	*of which, Intangible assets*	*of which, Lease agreements*	*of which, Pre-financed amounts*
Retirement benefit obligations	891	-	-	-
Non-current lease liabilities	18,015	-	18,015	-
Borrowings, non-current portion	-	-	-	-
Total non-current liabilities	18,906	-	18,015	-
Trade and other current payables	35,037	-	(2,186)	4,624
Deferred revenues	12,251	-	-	-
Current income tax liabilities	959	-	-	-
Current lease liabilities	3,642	-	3,642	-
Borrowings, current portion	-	-	-	-
Provisions for other liabilities and charges	3,538	-	186	-
Total current liabilities	55,427	-	1,642	4,624
Total liabilities assumed	**74,333**	**-**	**19,657**	**4,624**
Net assets and liabilities	**139,409**			

Finally, all the Gerber subsidiaries are 100%-held by the Group, and there are no non-controlling interests to value.

Since Lectra acquired on June 1, 2021 all outstanding Gerber shares for five million newly issued shares, at a share price of 33.05€, and 173.9 million euros in cash (final acquisition price), the goodwill amounted to 199.8 million euros:

(in thousands of euros)	June 1, 2021
Net amount of assets acquired and liabilities assumed	139,409
Non-controlling interests	-
Acquisition price (after revision)	339,164
Goodwill valuation	**199,755**

This goodwill can be primarily analyzed as the accounting translation of the expected synergies between Lectra legacy entities and the new Gerber subsidiaries.

It should be noted that the share premium recorded in the statutory financial statements of Lectra S.A. was calculated based on Lectra's share price on February 8, 2021 (date on which the transaction was made public), that is 24.50€. The difference between both prices was recorded in the consolidated reserves.

Transaction costs

The transaction costs relating to this acquisition under IFRS 3 (mainly fees from the legal, tax and financial counsels) have been accounted for within the "Non-recurring expenses" in the income statement since Q4 2020, and amounted to a total 3.9 million euros.

Pro forma information

From June 1 (acquisition date) to December 31, 2021, Gerber reported 106.6 million euros in revenues, 13.3 million euros in EBITDA before non-recurring items and 2.8 million euros in net income.

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 cost of companies acquired as shown in the statement of cash-flows

The amount shown in the consolidated statement of cash-flows breaks down as follows:

(in thousands of euros)	Twelve months ended December 31, 2021
Gerber Technology debt repaid by Lectra	(175,000)
Revision to final transaction price	1,086
Gerber Technology cash acquired	15,030
Amounts pre-financed by former shareholder	(3,205)
Total acquisition cost in the cash-flow statement	**(162,089)**

Acquisition of Retviews

In July 2019, the Group purchased 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 million euros. As initially planned, Lectra acquired in July 2020 an additional 10% of Retviews, for an amount of 1 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 2022 and the remainder in January 2022.

The acquisition of the remaining capital and voting rights will take place in July 2022 for the amounts of about 0.5 times 2022 revenues. 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".

Following the payments made in January and July 2021, and the revaluation of the amount to pay for the additional 10% between July 2021 and January 2022 (revaluation against equity – Group share), the debt corresponding to the minority shares purchase commitment amounted to 2.5 million euros, classified as current liabilities.

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

There was no other change in the scope of consolidation in 2021, nor in 2020.

Non-consolidated entities

Three sales and service subsidiaries are not consolidated, their revenues being immaterial both separately and combined. At December 31, 2021, their combined revenues totaled 1 million euros, and their combined assets totaled 3.1 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, 2021.

4. OPERATING SEGMENTS INFORMATION

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

Twelve months ended December 31, 2020 (3) (in thousands of euros)	Northern Europe(1)	Southern Europe(2)	Americas	Asia-Pacific	Corporate	Total
Revenues	51,240	63,531	63,455	57,957	-	236,182
EBITDA before non-recurring items	6,774	11,020	9,635	3,946	6,118	37,493

(1) This segment covers the following regions: Germany and Eastern Europe, United Kingdom, Benelux, Scandinavia, Baltic countries, Turkey and Middle East.

(2) This segment covers the following regions: France, Italy, Spain, Portugal and North Africa.

(3) The 2020 amounts have been restated in order to account for the change in gross profit margins (see below) and allow for comparison with 2021.

For Lectra's legacy activities, the standard gross profit margins used to determine the performance of operating segments have been changed from January 1, 2021, to take into account the change of the cost structure resulting from the implementation of the Group's 2020-2022 roadmap. This allocation of gross profit between marketing regions and the Corporate segment allows for a more relevant analysis of performance by operating segment.

The 2021 amounts include the impacts of Gerber since June 1, Neteven since July 28 and Gemini since September 27; these amounts have also been allocated to the Group's operating segments.

EBITDA before non-recurring items, which is obtained by adding together the income for each segment, is identical to consolidated EBITDA before non-recurring items shown in the Group's consolidated financial statements and therefore does not need to be reconciled.

5. CONSOLIDATED CASH FLOW SUMMARY

Twelve months ended December 31, 2021 (in thousands of euros)	Cash and cash equivalents	Financial debts	Net cash
Free cash flow before non-recurring items	47,507	-	47,507
Non-recurring items included in free cash flow	(8,012)	-	(8,012)
Proceeds from issuance of ordinary shares(1)	2,855	-	2,855
Proceeds from issuance of ordinary shares to non controlling interests(2)	1,204	-	1,204
Sale and purchase of treasury shares(3)	428	-	428
Acquisition cost of companies purchased(4)	(180,980)	-	(180,980)
Change in share of interests in controlled entities(5)	(1,363)	-	(1,363)
Dividend paid	(7,820)	-	(7,820)
Change in borrowings(6)	139,214	(139,214)	-
Amortized cost of borrowings(6)	-	(172)	(172)
Impact of currency variations	2,927	-	2,927
Change in cash position for the period	(4,040)	(139,386)	(143,426)
Cash position at December 31, 2020	134,626	-	134,626
Cash position at December 31, 2021	130,586	(139,386)	(8,800)
Change in cash position for the period	(4,040)	(139,386)	(143,426)

(1) Resulting solely from the exercise of stock options.
(2) Subscribed by the non-controlling interests of Gemini (see note 3).
(3) Carried out solely under the liquidity agreement administered by Exane BNP Paribas (see note 7).
(4) Acquisition cost for Gerber, Neteven and Gemini (see note 3).
(5) Payments for the staggered acquisitions of additional 10% of Retviews (see note 3).
(6) Amounts relating to the financial borrowing made on June 1, 2021 (see note 8).

Free cash flow at December 31, 2021, was 39.5 million euros. This figure results from a combination of 54.5 million euros in cash flows provided by operating activities (including a decrease in working capital requirement of 10 million euros) and capital expenditures of 6.4 million euros. The cash flows provided by operating activities also comprised an increase in other operating non-current assets of 5.9 million euros (corresponding to the part of 2021 research tax credit, not paid and not 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 8.6 million euros, was taken into account.

Moreover, free cash flow included non-recurring cash-outs for 8 million euros, incurred for fees and other costs relating to the acquisition of Gerber. Restated by this amount, free cash flow before non-recurring items amounted to 47.5 million euros.

The variation in working capital is explained as follows:

- +13 million euros corresponding to the increase in inventories, following the pickup in activity and an increase in safety stock to face the tensions in procurement;
- −4.5 million euros arising from the reimbursement of the outstanding balance of the 2017 research tax credit (see note 6 hereafter) in Q3 2021;
- −2 million euros arising from the increase in trade accounts payable;
- −6.9 million euros arising from the increase in deposits received for customer orders;
- −10.4 million euros arising from the difference between the variable portion of salaries for the Group in respect of fiscal year 2020 paid mainly in 2021, and the one recognized in 2021 that will be paid in 2022;
- +0.8 million euros arising from the changes in other current assets and liabilities; taken individually, these changes are all immaterial.

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 revenues) and is close to zero for 2021.

The working capital requirement at December 31, 2021 was negative at 31.5 million euros. It comprised the current portion (5.3 million euros) of the 24.2 million euros receivable on the French tax administration in respect of the research tax credit, which has not been received and has not been deducted from the corporate income tax.

6. RESEARCH 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 and innovation 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) part of the income tax receivable related to the French research tax credit.

The research and innovation tax credits (8.3 million euros) for 2021 (5 months only for Neteven) were accounted for but not received.

Thus, at December 31, 2021, the Group held a 24.2 million euros receivable on the French tax administration (of which 18.9 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 2021 (5.9 million euros), 2020 (7.8 million euros), 2019 (5.2 million euros) and 2018 (5 million euros);
- the remaining amount of the research tax credit and innovation tax credit, after deduction from the corporate income tax due by Neteven for 2021 (0.3 million euros).

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 received in Q3 2021 the reimbursement of the outstanding balance of 4.5 million euros in respect of the 2017 tax credit and it should receive the reimbursement of the outstanding balance of these non-deducted tax credits as follows: 2022 (in respect of the 2018 tax credit), 2023 (in respect of the 2019 tax credit), 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, 2021, the company has purchased 295,169 shares and sold 302,131 shares at an average price of €32.14 and €32.81 respectively under the liquidity agreement administered by Exane BNP Paribas.

At December 31, 2021, the company held 7,035 Lectra shares (i.e. 0.02% of the share capital) with an average purchase price of €38.51 entirely under the liquidity agreement.

8. CASH AND CASH EQUIVALENTS AND NET CASH

(in thousands of euros)	December 31, 2021	December 31, 2020
Available cash	96,698	99,626
Cash equivalents	33,888	35,000
Borrowings and financial debts	(139,386)	-
Net cash / (net debt)	(8,800)	134,626

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 Euribor rate (with a 0% floor), to which a margin is added, depending on a leverage ratio and set at 85 base point for the first year.

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, 2021, the maturity of the loan was as follows:

(in thousands of euros)	December 31, 2021	December 31, 2020
Short term – less than one year	21,102	-
Long term – more than one year, and less than five years	118,284	-
Total	139,386	-

9. FOREIGN EXCHANGE RISK

In 2021, the average parity between the US dollar and the euro was $1.18/€1.

For Lectra's legacy entities, the Group's currency risk management policy is unchanged relative to December 31, 2020. For Gerber's legacy entities, no currency hedge was implemented.

Exchange risk hedging instruments

Exchange risk hedging instruments at December 31, 2021 were comprised of forward sales or purchases of foreign currencies (mainly US dollar) for a net total equivalent value (sales minus purchases) of 5.5 million euros, intended to hedge existing balance sheet positions. Thus, the company has hedged almost all its balance sheet positions, for the legacy subsidiaries of Lectra.

Moreover, the company has not hedged its exposure to currency rates for 2022.

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 31, 2021 exchange rates for the relevant currencies, in particular $1.13/€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 $1.08/€1) would mechanically increase 2022 annual revenues by approximately 11 million euros and annual EBITDA before non-recurring items by 3.6 million euros. Conversely, a 5-cent appreciation of the euro against the US dollar (i.e. $1.18/€1) would mechanically reduce annual revenues and EBITDA before non-recurring items by the same amounts.