LECTRA

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS FOR FIRST QUARTER 2022

Dear Shareholders,

We report below on Lectra group's (the "Group") business activity and consolidated financial statements for the first quarter ending March 31, 2022.

To facilitate analysis of the Group's results, the financial statements are compared to those published in 2021 and to the Q1 2021 pro forma financial statement ("2021 Pro forma"), prepared by integrating the three acquisitions made in 2021 – Gerber Technology ("Gerber"), Neteven, and Gemini CAD Systems ("Gemini") – as if they had been consolidated from January 1, 2021, whereas they have been consolidated since June 1, July 28 and September 27, 2021 respectively.

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

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

The detailed tables of orders for new systems, of revenues, and of the income statements for the first quarter of 2022 are provided in the additional information of this report, starting on page 7.

1. RESULTS OF OPERATIONS FOR Q1 2022

From February 24 onwards, the first quarter of 2022 was marked by the war in Ukraine.

As soon as the war began, the Company decided to cease its operations in Russia, by suspending the activity of its subsidiary Lectra Russia (which has a workforce of five) and stopping all deliveries of products or services.

The Group's direct exposure to Ukraine and Russia is low; the contribution of these two countries in 2021 accounted for less than 1 percent of revenues.

The climate of uncertainty surrounding this conflict caused some of the Group's customers to postpone investment decisions, starting in late February, especially in Europe. This war has also accelerated price increases, energy shortfalls, and shortages in some raw materials. The impact of these inflationary factors on the Group's financial statements should remain limited, due to low exposure to energy costs and to the prices of those raw materials affected the most.

At the same time, lockdown measures implemented by the Chinese government, which became even stricter in late March, had a negative impact on orders in China. Those measures also prevented shipment of 3.5 million euros' worth of orders for CAD/CAM equipment, which had a negative impact of the same amount on Q1 revenue. The delay is reflected in the further increase in the order backlog at March 31, 2022 compared to December 31, 2021 (see analysis on page 3).

In this peculiar environment, Q1 2022 revenues amounted to 122.0 million euros, up 83% compared to Q1 2021.

EBITDA before non-recurring items totaled 21.6 million euros, up 90%, and the EBITDA margin before non-recurring items was 17.7%.

Income from operations before non-recurring items amounted to 14.4 million euros (8.5 million euros in Q1 2021), up 71%. This includes a 2.7-million-euro charge for amortization of intangible assets arising from the acquisitions of Gerber, Neteven and Gemini.

Net income totaled 9.3 million euros (+55% compared to Q1 2021).

Net earnings per share were €0.25 on basic capital and €0.24 on diluted capital (€0.19 on basic capital and €0.18 on diluted capital in Q1 2021).

Free cash flow before non-recurring items came to 7.1 million euros (9.8 million euros in Q1 2021). This decrease, and the fact that free cash flow is lower than net income, are explained by the 9.3-million-euro difference between the payment in Q1 2022 of the variable portion of compensation and the incentive plan in respect of 2021 results (for the Lectra scope excluding the impact of acquisitions), and the corresponding payment in Q1 2021 in respect of 2020 results, which were adversely affected by the COVID-19 crisis.

After disbursement of 2.1 million euros in Q1 in respect of fees and other related expenses in connection with the acquisition of Gerber, free cash-flow came to 4.9 million euros.

Comparison to the 2021 Pro forma

Rise in orders for new systems

Orders for perpetual software licenses, equipment and accompanying software, and non-recurring services (51.9 million euros) were up 14% compared to the amount of 2021 Pro forma orders.

Orders for perpetual software licenses (5.2 million euros), as well as for equipment and accompanying software (41.9 million euros) increased by 14% and 18% respectively. Orders for training and consulting (3.6 million euros) decreased by 10%, following the high level of exceptional orders at Gerber in the first quarter of 2021.

Geographically, orders for perpetual software licenses, equipment and accompanying software, and non-recurring services increased by 29% in Europe, 20% in the Americas and 91% in the rest of the world (including Northern Africa, South Africa, Turkey, and the Middle East). Orders decreased by 8% in Asia-Pacific.

They increased by 47% in the automotive market, 8% in the fashion market, 7% in the furniture market and decreased by 24% in the other industries.

The annual value of new software subscription orders was higher in all regions, and came to 2.3 million euros, increasing by a factor of 2.4 over the 2021 Pro forma amount.

Growth in revenues and earnings

Despite the negative impact of the war in Ukraine and the lockdown measures in China, revenues (122.0 million euros) increased by 10% compared to 2021 Pro forma revenues.

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 (48.6 million euros) were up 9%. This item contributed 40% of revenues, or the same percentage as in 2021, and included mainly:

- perpetual software licenses (4.7 million euros), which increased by 7% and accounted for 4% of revenues (4% in 2021);
- equipment and accompanying software (39.1 million euros), which increased by 11% and accounted for 32% of revenues (32% in 2021);
- training and consulting (3.6 million euros), which decreased by 5% and accounted for 3% of revenues (3% in 2021).

At March 31, 2022, the order backlog for perpetual software licenses, equipment and accompanying software, as well as training and consulting amounted to 52.8 million euros. It increased by 3.8 million euros compared to December 31, 2021.

Revenues from recurring contracts, consumables and parts

Revenues from recurring contracts, which represented 32% of revenues (32% in 2021), amounted to 39.2 million euros, a 10% increase:

- software subscriptions (4.4 million euros), up 59%, represented 4% of revenues (2% in 2021);
- software maintenance contracts (12.8 million euros), up 4%, represented 11% of revenues (11% in 2021);
- equipment and accompanying software maintenance contracts (22.0 million euros), up 7%, represented 18% of revenues (18% in 2021).

In parallel, revenues from consumables and parts (34.2 million euros) were up 11% and represented 28% of revenues (28% in 2021).

Overall, recurring revenues (73.3 million euros) were up 11%.

Gross profit

Gross profit amounted to 80.3 million euros, up 10% compared to the 2021 Pro forma.

The gross profit margin came to 65.8%, up 0.2 percentage points.

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

Overhead costs

Overhead costs were 65.8 million euros, up 3% compared to the 2021 Pro forma. The breakdown is as follows:

- 60.6 million euros in fixed overhead costs (+5%);
- 5.2 million euros in variable costs (-16%).

Research and development costs (12.7 million euros), which are fully expensed in the period and included in fixed overhead costs, represented 10.4% of revenues (12.8 million euros and 11.5% of revenues for the 2021 Pro forma). After deducting the research tax credit applicable in France and grants received, net research and development costs totaled 10.9 million euros (10.5 million euros for the 2021 Pro forma).

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

EBITDA before non-recurring items totaled 21.6 million euros, up 37% relative to the 2021 Pro forma.

EBITDA margin before non-recurring items was 17,7% (14,2% for the 2021 Pro forma).

Income from operations before non-recurring items amounted to 14.4 million euros, up 62% compared to the 2021 Pro forma.

The operating margin before non-recurring items was 11.8%, up 3.7 percentage points.

After a non-recurring charge of 0.5 million euros recognized in Q1 for other costs relating to the acquisition of Gerber, income from operations came to 14 million euros.

Net financial income and expense represented a net charge of 0.6 million euros. Foreign exchange gains and losses generated a net loss of 0.5 million euros.

After an income tax expense of 3.6 million euros, net income amounted to 9.3 million euros, up 86%.

Balance sheet at March 31, 2022

At March 31, 2022, the Group's consolidated shareholders' equity amounted to 416.9 million euros (400.8 million euros at December 31, 2021) and the net financial debt stood at 3.2 million euros, consisting in financial debt of 139.4 million euros and available cash of 136.3 million euros.

The working capital requirement at March 31, 2022 was a negative 24.5 million euros.

2. SHARE CAPITAL – OWNERSHIP – SHARE PRICE PERFORMANCE

Change in share capital

At March 31, 2022, the share capital came to €37,761,765, divided into 37,761,765 shares with a par value of €1.00.

Share capital increased by €18,806 (with a total share premium of €224,300) due to the creation of 18,806 shares since January 1, 2022, resulting from the exercise of stock options.

Main shareholders

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

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

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

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

- Daniel Harari holds 14.6% of the capital and 14.5% of the voting rights;
- AIPCF VI LG Funding LP (United States) holds more than 5% (and less than 10%) of the share capital and voting rights;

- Artisan Partners Limited Partnership (United States), Brown Capital Management LLC (United States), Fidelity Management and Research (FMR) LLC (United States), Kabouter Management LLC (United States), all four acting on behalf of investment funds and customers that they manage, 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 March 31, 2022, the Company held 0.03% of its own shares in treasury, within the framework of the liquidity agreement contracted with Exane BNP Paribas.

Share price performance and trading volumes

The Company's share price at March 31, 2022 was €43.10, up 3% compared to December 31, 2021 (€42.00). During Q1, it reached a low of €35.65 on February 4 and a high of €44.85 during the day on March 31.

For the first three months of 2022, the CAC 40 index and the CAC All-Tradable index each decreased by 7% and the CAC Mid & Small index by 3%.

According to Bloomberg, 6.0 million shares were traded on all platforms in Q1 2022 (4.0 million in Q1 2021), including 24% on Euronext.

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

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.

3. SIGNIFICANT POST-CLOSING EVENTS

No significant event has occurred.

4. FINANCIAL CALENDAR

The 2021 Annual Financial Report was published on Lectra's website on March 30, 2022.

The Annual Shareholders' Meeting will be held on April 29, 2022, in the Company's offices.

The first-half 2022 financial results will be published on July 28, 2022, after the close of trading on Euronext Paris.

5. BUSINESS TRENDS AND OUTLOOK

At the beginning of 2020, Lectra had developed its long-term vision and its new strategic roadmap for the 2020-2022 period.

In its 2021 Financial Report, published February 9, 2022, the Group indicated that the acquisitions made in 2021, and particularly the acquisition of Gerber, give the Group a new dimension and open new perspectives.

It further explained that 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. To those uncertainties have been added the consequences of the war in Ukraine and of the strict lockdown measures implemented in China.

Financial objectives for 2022

The Group has set itself objectives of achieving, in 2022, revenues in the range of 508 to 556 million euros (+31% to +43%) and EBITDA before non-recurring items in the range of 92 to 104 million euros (+41% to +60%). These objectives were prepared on the basis of the closing exchange rates on December 31, 2021, and particularly $1.13 to the euro.

While revenues through March 31, 2022, were affected by the war in Ukraine and the strict lockdown measures in China, business activity and the other parameters of the income statement for Q1 2022 are in line with the roadmap. Together with the particularly strong order backlog on March 31, these elements reinforce Lectra's confidence in the ability to achieve its objectives.

However, the consequences of the war in Ukraine and the strict lockdown measures in China remain uncertain and could adversely affect the Group's business and results for the remainder of 2022.

The Board of Directors
April 28, 2022

ADDITIONAL INFORMATION – FIRST QUARTER 2022

ORDERS FOR NEW SYSTEMS – COMPARISONS AT ACTUAL EXCHANGE RATES

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

	Three Months Ended March 31				
	2022		2021		Changes 2022/2021
(in thousands of euros)	Actual	%	Pro forma	%	Actual exchange rates
Perpetual software licenses	5,151	10%	4,523	10%	+14%
Equipment and accompanying software	41,878	81%	35,603	78%	+18%
Training and consulting services	3,587	7%	3,992	9%	-10%
Miscellaneous	1,257	2%	1,460	3%	-14%
Total	51,873	100%	45,577	100%	+14%
€ / $ average parity	*1.12*		*1.21*		

New software subscriptions

	Three Months Ended March 31				
	2022		2021		Changes 2022/2021
(in thousands of euros)	Actual	%	Pro forma	%	Actual exchange rates
Annual value of new software subscriptions	2,336	na	993	na	+135%
€ / $ average parity	*1.12*		*1.21*		

BREAKDOWN OF REVENUES – COMPARISONS AT ACTUAL EXCHANGE RATES

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

Revenues by region

	Three Months Ended March 31				
	2022		2021		Changes 2022/2021
(in thousands of euros)	Actual	%	Pro forma	%	Actual exchange rates
Europe, of which:	40,834	33%	34,707	31%	+18%
- France	6,392	5%	6,265	6%	+2%
Americas	41,879	34%	37,896	34%	+11%
Asia-Pacific	29,097	24%	30,791	28%	-5%
Other countries	10,147	8%	7,613	7%	+33%
Total	121,958	100%	111,006	100%	+10%
€ / $ average parity	*1.12*		*1.21*		

Revenues by type of business

	Three Months Ended March 31				
	2022		2021		Changes 2022/2021
(in thousands of euros)	Actual	%	Pro forma	%	Actual exchange rates
Revenues from perpetual software licenses, equipment and accompanying software, and non-recurring services, of which:	48,613	40%	44,729	40%	+9%
- Perpetual software licenses	4,683	4%	4,386	4%	+7%
- Equipment and accompanying software	39,088	32%	35,106	32%	+11%
- Training and consulting services	3,585	3%	3,777	3%	-5%
- Miscellaneous	1,257	1%	1,460	1%	-14%
Recurring revenues, of which:	73,345	60%	66,277	60%	+11%
- Software subscriptions	4,360	4%	2,740	2%	+59%
- Software maintenance contracts	12,820	11%	12,322	11%	+4%
- Equipment and accompanying software maintenance contracts	21,999	18%	20,528	18%	+7%
- Consumables and parts	34,167	28%	30,688	28%	+11%
Total	121,958	100%	111,006	100%	+10%
€ / $ average parity	*1.12*		*1.21*		

CONSOLIDATED INCOME STATEMENT – COMPARISONS AT ACTUAL EXCHANGE RATES

	Three months ended March 31				
	2022	2021	Changes 2022/2021	2021	Changes 2022 /Pro forma 2021
(in thousands of euros)	Actual	Actual	Actual exchange rates	Pro forma	Actual exchange rates
Revenues	121,958	66,686	+83%	111,006	+10%
Cost of goods sold	(41,701)	(18,228)	+129%	(38,172)	+9%
Gross profit	80,257	48,458	+66%	72,835	+10%
(in % of revenues)	65.8%	72.7%	-6.9 points	65.6%	+0.2 points
Research and development	(10,939)	(6,229)	+76%	(10,533)	+4%
Selling, general and administrative expenses	(54,868)	(33,768)	+62%	(53,361)	+3%
Income from operations before non-recurring items	14,449	8,461	+71%	8,941	+62%
(in % of revenues)	11.8%	12.7%	-0.9 points	8.1%	+3.7 points
Non-recurring expenses	(474)	(1,014)	-53%	(1,014)	-53%
Income from operations	13,976	7,447	+88%	7,928	+76%
(in % of revenues)	11.5%	11.2%	+0.3 points	7.1%	+4.4 points
Income before tax	12,871	8,043	+60%	7,843	+64%
Income tax	(3,590)	(2,041)	+76%	(2,846)	+26%
Net income	**9,281**	**6,002**	**+55%**	**4,997**	**+86%**
of which, Group share	**9,375**	**5,957**	**+57%**	**5,059**	**+85%**
of which, Non-controlling interests	(94)	45	na	(62)	+51%
Income from operations before non-recurring items	14,449	8,461	+71%	8,941	+62%
+ Net depreciation and amortization of non-current assets	7,121	2,901	+145%	6,807	+5%
EBITDA before non-recurring items	21,571	11,361	+90%	15,749	+37%
(in % of revenues)	17.7%	17.0%	+0.7 points	14.2%	+3.5 points
€ / $ average parity	*1.12*	*1.21*		*1.21*	

Company certification of the first quarter 2022 report

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

Paris, April 28, 2022

Daniel Harari
Chairman and Chief Executive Officer

Olivier du Chesnay
Chief Financial Officer

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

(in thousands of euros)	March 31, 2022[1]	December 31, 2021[1]	March 31, 2021[2]
Goodwill	278,748	275,250	46,964
Other intangible assets	137,799	138,084	4,839
Leasing rights-of-use	27,108	28,543	14,481
Property, plant and equipment	27,838	28,060	24,466
Other non-current assets	25,063	24,638	22,547
Deferred tax assets	9,120	9,047	7,350
Total non-current assets	505,676	503,622	120,647
Inventories	65,839	59,650	30,877
Trade accounts receivable	81,781	82,948	42,893
Other current assets	19,098	19,153	15,416
Cash and cash equivalents	136,260	130,586	145,381
Total current assets	302,978	292,337	234,567
Total assets	**808,654**	**795,959**	**355,214**

EQUITY AND LIABILITIES

(in thousands of euros)	March 31, 2022[1]	December 31, 2021[1]	March 31, 2021[2]
Share capital	37,762	37,743	32,598
Share premium	139,735	139,511	20,219
Treasury shares	(415)	(271)	(654)
Currency translation adjustments	18,501	12,132	(10,449)
Retained earnings and net income	218,667	208,947	158,645
Non-controlling interests	2,630	2,724	205
Total equity	416,880	400,786	200,564
Retirement benefit obligations	11,402	11,348	11,153
Non-current lease liabilities	24,840	25,930	9,727
Minority shares purchase commitments	9,500	9,500	2,165
Borrowings, non-current portion	118,331	118,284	-
Total non-current liabilities	164,073	165,062	23,045
Trade and other current payables	106,328	110,852	59,130
Deferred revenues	79,711	77,822	58,863
Current income tax liabilities	5,135	4,586	3,189
Current lease liabilities	8,396	8,500	5,144
Minority shares purchase commitments	2,165	2,464	2,165
Borrowings, current portion	21,090	21,102	-
Provisions for other liabilities and charges	4,876	4,785	3,114
Total current liabilities	227,701	230,111	131,605
Total equity and liabilities	**808,654**	**795,959**	**355,214**

(1) *The March 2022 and December 2021 amounts integrate Gerber Technology, Neteven and Gemini CAD Systems (see note 3 hereafter).*
(2) *The March 2021 amounts were restated following the implementation of the IFRS IC decision relating to IAS 19, made at the end of 2021 retroactively on January 1 2021, and that entailed a decrease of retirement benefit obligations and deferred tax assets by 0.9 and 0.2 million euros respectively, and an increase of retained earnings (Group share) by 0.7 million euros.*

CONSOLIDATED INCOME STATEMENT

(in thousands of euros)	Three months ended March 31, 2022[1]	Three months ended March 31, 2021
Revenues	121,958	66,686
Cost of goods sold	(41,701)	(18,228)
Gross profit	80,257	48,458
Research and development	(10,939)	(6,229)
Selling, general and administrative expenses	(54,868)	(33,768)
Income from operations before non-recurring items	14,449	8,461
Non-recurring expenses[2]	(474)	(1,014)
Income from operations	13,976	7,447
Financial income	98	107
Financial expenses	(745)	(111)
Foreign exchange income (loss)	(458)	600
Income before tax	12,871	8,043
Income tax	(3,590)	(2,041)
Net income	**9,281**	**6,002**
of which, Group share	**9,375**	**5,957**
of which, Non-controlling interests	(94)	45

(in euros)		
Earnings per share, Group share:		
- basic	0.25	0.19
- diluted	0.24	0.18
Shares used in calculating earnings per share:		
- basic	37,738,619	32,127,231
- diluted	38,276,173	32,579,110

(in thousands of euros)		
Income from operations before non-recurring items	14,449	8,461
+ Net depreciation and amortization of non-current assets	7,121	2,901
EBITDA before non-recurring items	21,571	11,361

STATEMENT OF COMPREHENSIVE INCOME, GROUP SHARE [3]

(in thousands of euros)	Three months ended March 31, 2022[1]	Three months ended March 31, 2021
Net income, Group share	9,375	5,957
Currency translation adjustments	6,286	744
Tax effect	83	100
Other comprehensive income to be reclassified in net income	6,369	844
Remeasurement of the net liability arising from defined benefits pension plans	-	-
Tax effect	-	-
Other comprehensive income not to be reclassified in net income	0	0
Total other comprehensive income	6,369	844
Comprehensive income, Group share	**15,744**	**6,801**

(1) The 2022 amounts integrate Gerber Technology, Neteven and Gemini CAD Systems (see note 3 hereafter).
(2) These amounts correspond to fees and other costs relating to the acquisition of Gerber Technology (see note 3 hereafter).
(3) 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

(in thousands of euros)	Three months ended March 31, 2022[1]	Three months ended March 31, 2021
I - OPERATING ACTIVITIES		
Net income	9,281	6,002
Net depreciation and amortization (non-current assets)	7,121	2,901
Net depreciation and provisions (current assets)	360	604
Non-cash operating expenses	436	(57)
Loss (profit) on sale of fixed assets	(2)	(17)
Changes in deferred income taxes	226	494
Changes in inventories	(6,368)	(1,672)
Changes in trade accounts receivable	3,086	2,363
Changes in other current assets and liabilities	(5,125)	2,644
Changes in other operating non-current assets	(441)	(1,694)
Net cash provided by (used in) operating activities	8,573	11,568
II - INVESTING ACTIVITIES		
Purchases of intangible assets	(596)	(546)
Purchases of property, plant and equipment	(913)	(357)
Proceeds from sales of intangible and tangible assets	-	18
Purchases of financial assets[2]	(3,521)	(1,696)
Proceeds from sales of financial assets[2]	3,637	1,952
Net cash provided by (used in) investing activities	(1,393)	(629)
III - FINANCING ACTIVITIES		
Proceeds from issuance of ordinary shares by the parent company	243	919
Change in share of interests in controlled entities[3]	(299)	(167)
Purchases of treasury shares	(3,479)	(1,937)
Sales of treasury shares	3,419	1,695
Repayment of lease liabilities	(2,252)	(1,485)
Net cash provided by (used in) financing activities	(2,368)	(975)
Increase (decrease) in cash and cash equivalents	**4,812**	**9,964**
Cash and cash equivalents at opening	130,586	134,626
Increase (decrease) in cash and cash equivalents	4,812	9,964
Effect of changes in foreign exchange rates	862	791
Cash and cash equivalents at closing	136,260	145,381
Net cash provided by (used in) operating activities	8,573	11,568
+ Net cash provided by (used in) investing activities	(1,393)	(629)
- Repayment of lease liabilities	(2,252)	(1,485)
Free cash flow before non-recurring items	4,928	9,454
Non-recurring items of the free cash flow	(2,122)	(374)
Free cash flow	7,050	9,828
Income tax (paid) / reimbursed, net	(956)	(660)
Interest (paid) on lease liabilities	(124)	(28)
Interest (paid)	(298)	-

(1) The 2022 amounts integrate Gerber Technology, Neteven and Gemini CAD Systems (see note 3 hereafter).
(2) 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.
(3) These amounts correspond to the payments of the remainder of the staggered purchases of additional 10% of Retviews, made in January 2021 and 2022 (see note 3 hereafter).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in thousands of euros, except for par value per share expressed in euros)	Share capital: Number of shares	Share capital: Par value per share	Share capital: Share capital	Share premium	Treasury shares	Currency translation adjustments	Retained earnings and net income	**Equity, Group share**	Non controlling interests	**Total equity**
Balance at December 31, 2020	32,511,651	1.00	32,512	19,387	(343)	(11,293)	151,750	192,013	160	192,173
Implementation of IFRS IC decision relative to IAS 19							659	659	-	659
Balance at January 1, 2021	32,511,651	1.00	32,512	19,387	(343)	(11,293)	152,409	192,672	160	192,832
Net income							5,957	5,957	45	6,002
Other comprehensive income						844	-	844	-	844
Comprehensive income						844	5,957	6,801	45	6,846
Exercised stock options	86,774	1.00	87	832				919		919
Fair value of stock options							227	227		227
Sale (purchase) of treasury shares					(311)			(311)		(311)
Profit (loss) on treasury shares							51	51		51
Balance at March 31, 2021	32,598,425	1.00	32,598	20,219	(654)	(10,449)	158,645	200,360	205	200,564
Balance at December 31, 2020	32,511,651	1.00	32,512	19,387	(343)	(11,293)	151,750	192,013	160	192,173
Implementation of IFRS IC decision relative to IAS 19							659	659	-	659
Balance at January 1, 2021	32,511,651	1.00	32,512	19,387	(343)	(11,293)	152,409	192,672	160	192,832
Net income							28,255	28,255	(11)	28,244
Other comprehensive income						23,425	664	24,089	-	24,089
Comprehensive income						23,425	28,919	52,344	(11)	52,333
Exercised stock options	231,308	1.00	231	2,624				2,855		2,855
Shares issued to purchase Gerber Technology[1]	5,000,000	1.00	5,000	117,500				165,250		165,250
Fair value of stock options							1,119	1,119		1,119
Sale (purchase) of treasury shares					72			72		72
Profit (loss) on treasury shares							270	270		270
Minority shares purchase for Retviews[2]							799	799	(129)	670
Integration of Neteven and Gemini and minority shares purchase commitment[3]							(9,500)	(9,500)	1,500	(8,000)
Shares issued to non controlling interests							-	-	1,204	1,204
Dividend paid							(7,820)	(7,820)		(7,820)
Balance at December 31, 2021	37,742,959	1.00	37,743	139,511	(271)	12,132	208,947	398,062	2,724	400,786
Net income							9,375	9,375	(94)	9,281
Other comprehensive income						6,369	-	6,369	-	6,369
Comprehensive income						6,369	9,375	15,744	(94)	15,650
Exercised stock options	18,806	1.00	19	224				243		243
Fair value of stock options							282	282		282
Sale (purchase) of treasury shares					(144)			(144)		(144)
Profit (loss) on treasury shares							63	63		63
Balance at March 31, 2022	**37,761,765**	**1.00**	**37,762**	**139,735**	**(415)**	**18,501**	**218,667**	**414,249**	**2,630**	**416,880**

(1) This amount corresponds to the shares issued on June 1, 2021 for the acquisition of Gerber Technology (see note 3 hereafter).
(2) This amount stems from the staggered purchases of additional 10% of Retviews in 2021 (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 MARCH 31, 2022

1. BUSINESS ACTIVITY

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

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

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

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

Business model

Lectra's business model is based on three pillars:

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

Worldwide presence

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

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

Lectra welcomes customers from around the world in its International Advanced Technology & Conference Centers in Bordeaux-Cestas (France), Atlanta (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 condensed consolidated financial statements at March 31, 2022, have been prepared in accordance with IAS 34 – *Interim Financial Statements*. They do not comprise all the financial disclosures required in the complete financial statements and should be read in conjunction with the Group's consolidated financial statements and corresponding notes for the fiscal year 2021, available on lectra.com.

The consolidated financial statements have been prepared in accordance with the same rules and methods as those applied in the preparation of the 2021 financial statements. They have been prepared under the responsibility of the Board of Directors at its meeting of April 28, 2022 and have not been reviewed by the Statutory Auditors.

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

Seasonality

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

Critical accounting estimates and judgments

Preparation of the financial statements in accordance with IFRS demands that certain critical accounting estimates be made. Management is also required to exercise its judgment in applying the Group's accounting policies.

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

Revenue

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

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

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

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

The 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 revenue, which are included under 'Selling, General and Administrative Expenses'.

Research and development costs

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

The French research tax credit (*crédit d'impôt recherche*) and innovation tax credit (*credit d'impôt innovation*), as well as grants linked to R&D projects, if any, are deducted from R&D expenses.

Earnings per share

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

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

The dilutive effect of stock options is computed in accordance with the share repurchase method provided by IAS 33. The assumed proceeds from exercise of stock options are regarded as having been used to repurchase shares at the average market price during the period. The number of shares thus obtained is deducted from the total number of shares resulting from the exercise of stock options.

Only options with an exercise price below the said average share price are included in the calculation of the number of shares representing the diluted capital.

Performance indicators

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

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

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

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

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

EBITDA before non-recurring items

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

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

Free cash flow before non-recurring items and free cash flow

Free cash flow is equal to net cash provided by operating activities minus cash used in investing activities, excluding cash used for acquisitions of companies (net of cash acquired), and minus repayments of lease liabilities according to IFRS 16.

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

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

Security ratio

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

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

Operating segments

Operating segment reporting is based directly on the Group's performance tracking and review systems. The segments disclosed in note 4 are identical to those covered by the information regularly communicated to the Executive Committee, in its capacity as the Group's 'chief operating decision maker'.

Reported segments refer to the major marketing regions. The regions concerned are: the Americas; Northern and Eastern Europe 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 column referred to here as 'Corporate' and which allows for reconciliation with the amounts presented in the Group's financial statements.

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

3. SCOPE OF CONSOLIDATION

At March 31, 2022, 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

In September 2021, the Group purchased the Romanian company Gemini. The transaction involved, at that date, 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. The debt to recognize the minority shares purchase commitment, measured at fair value, is recorded for a total amount of 7.0 million euros (classified as non-current liabilities).

Gemini has been fully consolidated since September 27, 2021.

Acquisition of Neteven

In June 2021, the Group purchased the French company Neteven. The transaction involved, at that date, 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 revenue.

The purchase price accounting is in the process of being finalized. The debt to recognize the minority shares purchase commitment, measured at fair value, is recorded for a total amount of 2.5 million euros (classified as non-current liabilities).

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.

Pro forma information

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

Acquisition of Retviews

In July 2019, the Group 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 8.0 million euros. As initially planned, Lectra acquired in July 2020 an additional 10% of Retviews, for an amount of 1.0 million euros: 0.9 million euros paid out in July 2020 and the remainder in January 2021.

Similarly, Lectra acquired in July 2021 another additional 10% of Retviews, for an amount of 1.5 million euros: 1.2 million euros paid out in July 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 revenue. 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 then in January 2022, 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 2.2 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 during the first quarter of 2022, nor in 2021.

Non-consolidated entities

Three sales and service subsidiaries are not consolidated, their revenue being immaterial both separately and combined. At March 31, 2022, their combined revenue totaled 0.3 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 March 31, 2022.

4. OPERATING SEGMENTS INFORMATION

Three months ended March 31, 2022 (in thousands of euros)	Northern Europe(1)	Southern Europe(2)	Americas	Asia-Pacific	Corporate	Total
Revenues	25,355	25,627	41,879	29,097	-	121,958
EBITDA before non-recurring items	3,416	4,710	1,818	2,328	9,299	21,571

Three months ended March 31, 2021 (in thousands of euros)	Northern Europe(1)	Southern Europe(2)	Americas	Asia-Pacific	Corporate	Total
Revenues	12,063	17,025	17,796	19,801	-	66,686
EBITDA before non-recurring items	1,478	3,356	3,090	1,598	1,840	11,361

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

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

The 2022 amounts include the impacts of Gerber Neteven and Gemini, which had not yet been purchased in Q1 2021.

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

5. CONSOLIDATED CASH FLOW SUMMARY

Three months ended March 31, 2022 (in thousands of euros)	Cash and cash equivalents	Financial debts	Net cash
Free cash flow before non-recurring items	7,050	-	7,050
Non-recurring items included in free cash flow	(2,122)	-	(2,122)
Proceeds from issuance of ordinary shares (1)	243	-	243
Sale and purchase of treasury shares (2)	(60)	-	(60)
Change in share of interests in controlled entities (3)	(299)	-	(299)
Amortized cost of borrowings (4)	-	(35)	(35)
Impact of currency variations	862	-	862
Change in cash position for the period	5,674	(35)	5,639
Cash position at December 31, 2021	130,586	(139,386)	(8,800)
Cash position at March 31, 2022	136,260	(139,421)	(3,161)
Change in cash position for the period	5,674	(35)	5,639

(1) Resulting solely from the exercise of stock options.
(2) Carried out solely under the liquidity agreement administered by Exane BNP Paribas (see note 7).
(3) Payments for the staggered acquisitions of additional 10% of Retviews (see note 3).
(4) Amounts relating to the financial borrowing made on June 1, 2021 (see note 8).

Free cash flow before non-recurring items at March 31, 2022, was 7.1 million euros. When adding non-recurring cash-outs for 2.1 million euros, incurred for costs relating to the acquisition of Gerber, free cash flow amounted to 4.9 million euros.

This figure results from a combination of 8.6 million euros in cash flows provided by operating activities (including an increase in working capital of 8.4 million euros) and capital expenditures of 1.4 million euros. The cash flows provided by operating activities also comprised an increase in other operating non-current assets of 0.4 million euros (corresponding to the part of the Q1 2022 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 2.3 million euros, was taken into account.

The variation in working capital is explained as follows:

– +11.9 million euros arising from the difference between the variable portion of salaries for the Group in respect of fiscal year 2021 paid mainly in 2022, and the one recognized in Q1 2022 that will be paid in 2023;

– +6.4 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;

– −0.4 million euros arising from the increase in deposits received for customer orders;

– −2.3 million euros arising from the increase in trade accounts payable;

– −3.1 million euros corresponding to the decrease in trade accounts receivable, following the cash receipt of a significant portion of the recurring contracts at the beginning of the year, usually yearly in advance (the variation in trade accounts receivable shown in the consolidated statement of cash flows includes ‘Deferred revenues’ in the statement of financial position, which for the most part comprises the share of recurring contracts billed but not yet recognized in revenue);

– −4.1 million euros arising from the changes in other current assets and liabilities; taken individually, these changes are all immaterial.

The working capital at March 31, 2022 was negative at 24.5 million euros. It comprised the current portion (5.4 million euros) of the 24.8 million euros receivable on the French tax administration in respect of the research and innovation tax credits, which has not been received and has not been deducted from the corporate income tax.

6. RESEARCH TAX CREDIT AND INNOVATION TAX CREDIT

When the research tax credit applicable in France recognized in the year cannot be deducted from the corporate income tax for Lectra, it is treated as a receivable on the French tax administration. If unused in the ensuing three years, it is repaid to the Company in the course of the fourth year. For Neteven, the research 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 tax credit (2.1 million euros) for Q1 2022 was accounted for but not received.

Thus, at March 31, 2022, the Group held a 24.8 million euros receivable on the French tax administration (of which 19.4 million euros classified within other non-current assets), comprised of:

- the remaining amount of the research tax credit, after deduction from the corporate income tax due by Lectra in the same year: for 2022 (0.4 million euros), 2021 (5.9 million euros), 2020 (7.8 million euros), 2019 (5.2 million euros) and 2018 (5.0 million euros);
- the remaining amount of the research and innovation tax credits, after deduction from the corporate income tax due by Neteven for 2022 (0.1 million euros) and 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 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), 2025 (in respect of the 2021 tax credit) and 2026 (in respect of the 2022 tax credit). This situation will last for as long as the amount of the annual tax credits exceeds the amount of income tax payable.

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

7. TREASURY SHARES

Since January 1, 2022, the Company has purchased 86,944 shares and sold 84,262 shares at an average price of €40.01 and €40.57 respectively under the liquidity agreement administered by Exane BNP Paribas.

At March 31, 2022, the Company held 9,717 Lectra shares (i.e. 0.03% of the share capital) with an average purchase price of €42.69 entirely under the liquidity agreement.

8. CASH AND CASH EQUIVALENTS AND NET CASH

(in thousands of euros)	March 31, 2022	December 31, 2021
Available cash	106,005	96,698
Cash equivalents	30,255	33,888
Borrowings and financial debts	(139,421)	(139,386)
Net cash / (net debt)	(3,161)	(8,800)

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

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

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 March 31, 2022, the maturity of the loan was as follows:

(in thousands of euros)	March 31, 2022	December 31, 2021
Short term – less than one year	21,090	21,102
Long term – more than one year, and less than five years	118,331	118,284
Total	139,421	139,386

9. FOREIGN EXCHANGE RISK

In Q1 2022, the average parity between the US dollar and the euro was $1.12/€1.

For Lectra's legacy entities, the Group's currency risk management policy is unchanged relative to December 31, 2021. For Gerber's legacy entities, no currency hedge was implemented.

Exchange risk hedging instruments

Exchange risk hedging instruments at March 31, 2022 were comprised of forward sales or purchases of foreign currencies (mainly US dollar) for a net total equivalent value (sales minus purchases) of 4 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 the rest of 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.