MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS FOR FOURTH QUARTER AND FULL YEAR OF 2020

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, 2020.

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 24, 2021.

Since 2017, Lectra has marketed and invoiced its software both in the form of perpetual licenses with their associated maintenance contracts and on a subscription basis for its Software-as-a-Service (SaaS) offers.

To facilitate the comparison with prior years, the Group decided in 2018 and 2019 to include subscription software sales in the amount of orders for new systems, by multiplying the annual value of the corresponding contracts by 2.2 (a coefficient that enables the calculation of the amount an order would represent, had it been sold as a perpetual license).

As from January 1, 2020, 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 (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 SaaS mode.

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."

Detailed comparisons between 2020 and 2019 are based on 2019 exchange rates ("like-for-like") unless otherwise stated. As the impact of the acquisition of Retviews (see press release dated July 15, 2019) on the financial statements for the fiscal year is not material, like-for-like changes exclude only the variations in exchange rates.

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

1. SUMMARY OF OPERATIONS FOR Q4 2020

With an average exchange rate of $1.19/€1 in Q4, the US dollar was down 7% and the yuan declined by 1% against the euro, compared to Q4 2019. Currency changes thus mechanically decreased revenues by 2.8 million euros (-4%) and income from operations before non-recurring items by 1.7 million euros (-15%) at actual exchange rates compared to like-for-like figures.

While the Group's business activity and results since the beginning of the year have been severely affected by the COVID-19 crisis and its consequences, the fourth quarter performance brought confirmation of the initial signs of improvement observed in Q3.

Indeed, after a decline of 42% in Q2 and 21% in Q3, compared to the corresponding quarters a year before, orders for perpetual software licenses, equipment and accompanying software, and non-recurring services (27.7 million euros) were 1% higher in Q4 than the fourth quarter in 2019.

The annual value of new software subscription orders amounted to 1.1 million euros, up 53%, confirming once again the success of Lectra's new offers for Industry 4.0 sold in SaaS mode.

At the same time, revenue from consumables and parts, a leading indicator of the Group's customers' activity, increased by 1% in Q4, after having declined by 46% in Q2, then by 9% in Q3 2020, compared to the corresponding quarters a year before.

Total revenues amounted to 65.6 million euros, down 8% compared to Q4 2019 (-12% at actual exchange rates). They were 28% lower in Q2, and 15% lower in Q3 than in the corresponding quarters of 2019.

Income from operations before non-recurring items came to 10 million euros, up 5% (down 10% at actual exchange rates) and the operating margin before non-recurring items was 15.3%, up 2.2 percentage points like-for-like (+0.3 percentage points at actual exchange rates) compared to Q4 2019.

After a non-recurring charge of 0.8 million euros recognized in 2020 for fees and other costs relating to the proposed acquisition of the company Gerber Technology, income from operations came to 9.3 million euros.

Net income amounted to 6.6 million euros, down 18% at actual exchange rates compared to Q4 2019.

Free cash flow was positive by 15.2 million euros (18.1 million euros in Q4 2019, which included receipt of the balance of the 2015 research tax credit, in the amount of 5.7 million euros, while the 2016 research tax credit, in the amount of 2.6 million euros, was received in Q3 2020).

2. SUMMARY OF EVENTS AND PERFORMANCE IN 2020

The COVID-19 epidemic and its consequences had a very significant impact in 2020.

From the start of the crisis, the Group took the necessary hygiene and physical distancing measures to safeguard the health of employees, customers, suppliers and other stakeholders. These measures are still in effect.

A remote working system was in place throughout the year for all employees whose physical presence on site was not required; this was done in France and all other countries where such measures were ordered or recommended by the government.

In parallel, the Group maintained all business operations. In particular, it continued its manufacturing operations; maintained deliveries of equipment, consumables and parts; and provided after-sales support for the Group's solutions worldwide and without interruption throughout the year.

Furthermore, in light of its sound financial position, capacity for resilience, and medium-term outlook, the Group decided not to put in place short-time working arrangements (under the partial activity scheme), and not to benefit from any financial support from the French government.

Lectra also supported the nation's collective effort to fight the COVID-19 crisis by voluntarily cutting masks and medical personal protective equipment.

Lockdown measures implemented by most countries, at different times during the year, led to a significant reduction in activity by the Group's customers.

While overall business activity improved in the closing months of the year, many customers were still operating below pre-crisis levels and therefore made reductions in capital expenditures or operating expenses. All three strategic market sectors—fashion, automotive and furniture—have been strongly impacted, though the furniture market experienced a rebound starting in the third quarter.

Negative impact of currency changes

With an average exchange rate of $1.14/€1 in 2020, the US dollar was down 2% compared to the same period in 2019. The slide in the dollar intensified late in the year, and the exchange rate stood at $1.23 to the euro on December 31, 2020. The yuan also declined by 2% against the euro.

Currency changes thus mechanically decreased revenues by 4.4 million euros (-2%) and income from operations before non-recurring items by 2.3 million euros (-8%) at actual exchange rates compared to like-for-like figures.

Orders down overall, strong growth in software subscription sales

In the unique, unprecedented environment of the COVID-19 crisis, orders for perpetual software licenses, equipment and accompanying software, and non-recurring services (82.6 million euros) were down 22%. Orders for perpetual software licenses (7.8 million euros), equipment and accompanying software (64.3 million euros), as well as training and consulting (9 million euros) declined by 39%, 18% and 27%, respectively.

Geographically, orders for perpetual software licenses, equipment and accompanying software, and non-recurring services fell by 32% in Asia-Pacific, by 24% in Europe and rose by 18% in the Americas. They were down 45% in the rest of the world (including North Africa, South Africa, Turkey and the Middle East). They decreased by 28% in the fashion market and by 26% in the automotive market but increased by 1% in the furniture market and 5% in other industries.

In addition, the annual value of new software subscription orders came to 2.9 million euros, up 55% compared to 2019. This strong increase, at a time when orders for perpetual software licenses fell due to the consequences of the COVID-19 crisis, confirms the positive adoption of the Industry 4.0 offers launched in 2018-2019 and strengthens the Group's confidence in their potential for growth. These orders increased in all geographical regions, primarily in the fashion market.

Strong resilience in earnings and free cash flow, despite the consequences of the health crisis

Revenues were 236.2 million euros, down 14% relative to 2019 (-16% at actual exchange rates).

Revenue from perpetual software licenses, equipment and accompanying software, and non-recurring services (77.7 million euros) were down 28%; and revenue from consumables and parts (59.2 million euros) fell 15% due to the severe reduction in business activity by the Group's customers. Revenue from recurring contracts, on the other hand, rose by 3% to 99.3 million euros. This component of the revenue stream 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 the earnings.

Furthermore, the Group has implemented measures to reduce its overhead costs by cancelling or postponing all non-essential expenses. Overhead costs were initially budgeted to increase by 8% in 2020 but ended the year 7% lower than in 2019.

The reduction in overhead costs mitigated the impact of the decline in revenues on income from operations before non-recurring items and on the operating margin before non-recurring items, which declined by 32% to 25.6 million euros and by 3.0 percentage points to 10.9%, respectively. At actual exchange rates, income from operations before non-recurring items fell by 37% and the operating margin before non-recurring items by 3.7 percentage points.

Income from operations came to 24.9 million euros, after a non-recurring charge of 0.8 million euros recognized in 2020 for fees and other costs relating to the proposed acquisition of the company Gerber Technology.

Net income totaled 17.6 million euros, down 40% at actual exchange rates.

Free cash flow amounted to 25.2 million euros, compared to 36.2 million euros in 2019. Free cash flow exceeded net income by 7.6 million euros in 2020; the decline from 2019 was slightly less than the decline in net income, which again confirms the strength and resiliency of the Group's business model, including in a challenging environment.

Particularly robust balance sheet – positive net cash position of close to 135 million euros

At December 31, 2020, consolidated shareholders' equity amounted to 192.2 million euros (183 million euros at December 31, 2019), after payment on May 8 of the dividend of 12.8 million euros (€0.40 per share) declared in respect of FY 2019.

The Group has no financial debt. Cash and cash equivalents, as well as net cash position, totaled 134.6 million euros (120.6 million euros at December 31, 2019).

3. 2020-2022 STRATEGIC ROADMAP: FIRST PROGRESS REPORT

The Lectra 4.0 strategy was launched in 2017 with the aim of positioning Lectra 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. These included the successful integration into its new offers of the key new 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 will 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 (see chapters 1 and 2 above), most of the objectives of the 2020-2022 strategic roadmap remain unchanged, particularly the acceleration towards Industry 4.0. The only adjustments to the original objectives are in the growth targets for the end of the three-year period – particularly following the proposed acquisition of the company Gerber Technology.

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

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 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: fourteen years' experience in the Industrial Internet of Things (IIoT), strong business-line expertise in its customers' markets, and total mastery of know-how regarding machines, software, data and services. Furthermore, the Group can count on a prestigious customer base, a global presence with its network of 34 subsidiaries, 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.

2020-2022 strategic roadmap

Acceleration towards Industry 4.0

In February 2020, the Group set four strategic priorities:

- First, accelerate organic growth. Lectra will reinforce 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 will encourage customers to migrate to its higher value-added offers and will deploy programs to accelerate the replacement of older generations of equipment, whether made by Lectra or by competitors.
- Second, strengthen customer relations. The Group will review 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 will progressively deploy Customer Success teams country by country. The teams will 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 will lead 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 will therefore pursue 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 will 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 plans to intensify 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 will promote open innovation and strengthen the resources allocated to its Innovation Lab located in the technological campus in Bordeaux-Cestas, while developing partnerships with different industry players.

Progress report

These four strategic priorities guided the Group's action in 2020.

The growing adoption of Lectra's offers for Industry 4.0 – Quick Estimate, Quick 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 2020, nearly 150 new customers chose one of these offers for Industry 4.0, bringing the total number of customers for these offers to 270. This success can be seen in the rise in orders for new software subscription contracts in 2020 (see chapters 1 and 2). These offers, which will be further expanded in the next two years, mean that Lectra will be fully capable of helping all companies in its markets to meet the challenges of the post-COVID-19 world.

Prospecting actions were intensified throughout the year, using digital marketing tools to acquire new customers and reach out to the installed base; over 5000 people participated in webinars and digital events organized in 2020.

Lectra teams multiplied interactions with customers throughout the year. Deployment of Customer Success teams was accelerated to further strengthen customer relationships and help customers minimize disruptions from lockdowns and remote working. The Group believes that these decisions limited the number of maintenance contract cancellations to the same level as in previous years. This deployment will continue in 2021 and 2022, at a faster pace than initially planned.

Lectra has also maintained its policy of strong investment in R&D, which came to 31.5 million euros, or 13.3% of revenues, in 2020. While the amount was stable relative to the 31.8 million in 2019, it represented a greater percentage of revenues following the reduction in business activity caused by the COVID-19 epidemic. Innovations were introduced to all the existing offers throughout the year, and new offers will be launched in 2021 and 2022. R&D spending in 2021 will exceed 12% of revenues.

Furthermore, the Group continued to investigate potential acquisitions. While the COVID-19 epidemic and its consequences led to the postponement or cancellation of potential operations in the first half of 2020, some discussions have since resumed and could lead to the announcement of targeted acquisitions in 2021, in addition to the proposed acquisition of the company Gerber Technology announced on February 8, 2021.

Finally, following the announcement, Lectra has added a fifth strategic priority for its 2020-2022 strategic roadmap: "to capture all synergies arising from the acquisition of Gerber Technology." The two groups have many complementary strengths (see chapter 7) that will enable Lectra to make optimal use of its product portfolio with Gerber Technology customers – particularly its offers for Industry 4.0 – while aiming to optimize cost-effectiveness by rationalizing the internal capacities of both companies.

Sustainable, profitable growth

To ensure sustainable growth in an uncertain macroeconomic and geopolitical environment, the Group's ambition is to increase its recurring revenues by 20% in three years. Recurring revenues should then account for over 60% of the revenues in 2022, with the following objectives:

- Revenue from software sold in SaaS mode to exceed 13 million euros;
- 4% annual growth in revenue from CAD/CAM and PLM software maintenance contracts, and equipment and accompanying software maintenance contracts;
- 5% annual growth in revenue from consumables and parts.

The growth in margin generated by recurring revenues provides the means to finance the Group’s development, particularly through strong investment in R&D, and reinforcement of its sales and services teams. The security ratio will therefore be maintained at 90% – the 2019 level – during the 2020-2022 period, with continuing strict controls over the increase in fixed overhead costs.

The Group has set the objective of maintaining its dividend 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).

Lectra will use its available cash to finance future targeted acquisitions. In the case of major acquisitions or opportunities available under the right conditions, the Group could take on debt equivalent to half its shareholders’ equity.

Progress report

While the Group maintains its determination to ensure sustainable, profitable growth, the financial objectives announced previously must be adjusted to take into account the consequences of the economic crisis arising from the COVID-19 epidemic and have been revised to take into account the proposed acquisition of Gerber Technology.

The revised objectives the Group has set for itself are indicated in chapter 9.

The cash portion of the Gerber Technology acquisition price (175 million euros) will be funded by the Group's cash resources and by debt.

Free cash flow generated by the new entity will allow continued pursuit of the strategy of targeted acquisitions, maintaining of the dividend payment policy, and payment of the debt.

4. CONSOLIDATED FINANCIAL STATEMENTS FOR 2020

Revenues

Revenues totaled 236.2 million euros, down 14% like-for-like and 16% at actual exchange rates. They decreased by 11% in Europe, 2% in the Americas, 27% in Asia-Pacific and 24% in the rest of the world. These regions respectively accounted for 43% (including 7% for France), 27%, 23% and 7% of total 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 (77.7 million euros) decreased by 28%. They include mainly:

- Perpetual software licenses (8.4 million euros), which decreased by 37% and accounted for 4% of total revenues (5% in 2019);
- Equipment and accompanying software (57.7 million euros), which decreased by 28% and accounted for 24% of total revenues (29% in 2019);
- Training and consulting revenues (9.9 million euros), which decreased by 18% and accounted for 4% of total revenues (4% in 2019).

At December 31, 2020, the order backlog for perpetual software licenses, equipment and accompanying software, and training and consulting amounted to 23.8 million euros. Compared to December 31, 2019, it rose by 5.1 million euros like-for-like and by 4.1 million euros at actual exchange rates.

Revenues from recurring contracts, consumables and parts

Revenues from recurring contracts—which represented 42% of total revenues—totaled 99.3 million euros, a 3% increase. The breakdown is as follows:

- Software subscriptions came to 3.7 million euros (1.6 million euros in 2019);
- Software maintenance contracts (37.5 million euros), down 1%, represented 16% of revenues;
- Equipment and accompanying software maintenance contracts (58.2 million euros), up 2%, represented 25% of revenues.

In parallel, revenue from consumables and parts (59.2 million euros) decreased by 15%. They represented 25% of revenues (26% in 2019).

Overall, recurring revenues (158.5 million euros) declined by 5%.

Gross profit

Gross profit amounted to 176.5 million euros, down 12% compared to 2019.

The overall gross profit margin was 74.7%, up 1.8 percentage points relative to 2019. This increase stems primarily from the evolution of the product mix, and specifically from the greater share of recurring contract 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 150.8 million euros, down 7% compared to 2019. The breakdown is as follows:

- 141.2 million euros in fixed overhead costs (-4%);
- 9.6 million euros in variable costs (-39%).

At actual exchange rats, total overhead costs fell by 8%.

Research and development costs (31.5 million euros), which are fully expensed in the period and included in fixed overhead costs, represented 13.3% of revenues (31.8 million euros and 11.4% of revenues in 2019). After deducting the research tax credit applicable in France and grants received, net research and development costs totaled 22.7 million euros (22 million euros in 2019).

Income from operations and net income

Income from operations before non-recurring items amounted to 25.6 million euros. Compared to 2019, it decreased by 12.9 million euros (-32%) like-for-like, and by 15.2 million euros (-37%) at actual exchange rates.

The operating margin before non-recurring items was 10.9%, down 3 percentage points like-for-like and 3.7 percentage points at actual exchange rates.

Income from operations came to 24.9 million euros.

Financial income and expenses represented a net charge of 0.4 million euros. Foreign exchange gains and losses generated a net loss of 0.7 million euros.

After an income tax expense of 6.1 million euros, net income amounted to 17.6 million euros, down 11.7 million euros (-40%) at actual exchange rates.

Net earnings per share came to €0.54 on basic capital and on diluted capital (respectively €0.92 and €0.90 for 2019).

Free cash flow

Free cash flow was 25.2 million euros, down 11 million euros compared with 2019, at actual exchange rates.

It results from a combination of 36 million euros in cash flows provided by operating activities (including a decrease in working capital requirement of 9.8 million euros) and capital expenditures of 5 million euros. The cash provided by operating activities also comprises an increase in other operating non-current assets of 7.8 million euros (corresponding to the portion of the 2020 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 5.8 million euros in lease liabilities (according to IFRS 16: see notes 2 and 5 hereafter) was taken into account.

Shareholders' equity

At December 31, 2020, consolidated shareholders' equity amounted to 192.2 million euros (183 million euros at December 31, 2019).

The Group is debt-free. Cash and cash equivalents, as well as net cash position, totaled 134.6 million euros (120.6 million euros at December 31, 2019).

The working capital requirement was a negative 27.7 million euros (see note 5 hereafter).

5. APPROPRIATION OF EARNINGS

Dividend at €0.24 per share

The Board of Directors will propose to the Shareholders' Meeting of April 30, 2021 the payment of a dividend at €0.24 per share in respect of fiscal year 2020. This dividend would represent a payout ratio of 44% of consolidated net income and a yield of 1% based on the December 31, 2020 closing share price.

Previous dividends were €0.40 per share in respect of fiscal years 2019 and 2018, and €0.38 per share in respect of fiscal year 2017.

Subject to approval by the shareholders, the dividend will be made payable on May 7, 2021.

6. SHARE CAPITAL – OWNERSHIP – SHARE PRICE PERFORMANCE

Change in share capital

At December 31, 2020, the share capital totaled €32,511,651, divided into 32,511,651 shares with a par value of €1.00.

Share capital increased by €412,551 (with a total share premium of €3,585,035) due to the creation of 412,551 shares since January 1, 2020, resulting from the exercise of stock options.

Main shareholders

On June 15, and then on July 17, 2020, the Company was notified that Allianz SE (Germany) had fallen below, and then exceeded, the 5% threshold for voting rights. As of July 17, it held 5.14% of the share capital and 5.11% of the voting rights through the companies Allianz IARD and Allianz Vie that it controls. The first crossing was a passive threshold crossing resulting from the increase in the number of shares and voting rights in the Company.

On September 22, 2020, the Company was notified that Artisan Partners Limited Partnership (United States) had exceeded the 5% threshold of share capital, then on September 25, 2020 the 5% threshold for voting rights. As of September 25, 2020, Artisan Partners Limited Partnership, acting on behalf of the investment funds and customers that it manages, holds 5.12% of the share capital and 5.08% of the voting rights.

No other crossing of statutory thresholds was reported to the Company since January 1, 2020.

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

- Daniel Harari holds 17% of the capital and voting rights;
- Kabouter Management LLC (United States), acting on behalf of investment funds that it manages, holds more than 10% (but less than 15%) of the capital and the voting rights;
- Allianz SE (Germany) through French companies it controls, Artisan Partners Limited Partnership (United States) and Kempen Oranje Participaties (The Netherlands) each hold more than 5% (but less than 10%) of the capital and the voting rights.

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

Treasury shares

At December 31, 2020, the Company held 0.04% of its own shares in treasury, 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, 2020, was €25.00, up 12% compared to December 31, 2019 (€22.35). It reached a low of €12.20 on March 23 and a high of €25.35 on December 17.

Over the same period, the CAC 40 and CAC Mid & Small indexes fell by 7% and 1%, respectively.

Lectra is part of the following Euronext and EnterNext indexes: CAC All Shares, CAC All Tradable, CAC Mid & Small, CAC Technology, EnterNext PEA-PME 150, and EnterNext Tech 40.

15.3 million shares were traded on Euronext and other trading platforms in 2020, which is 10% above 2019. Euronext accounted for 36% of shares traded in 2020, or the same percentage as a year before.

7. SIGNIFICANT POST-CLOSING EVENTS

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.

Under the proposed acquisition, Lectra would acquire all outstanding shares of Gerber Technology on a cash-free debt-free basis for an upfront payment of 175 million euros – through a combination of cash and debt – plus 5 million newly issued Lectra shares to AIPCF VI LG Funding, LP ("AIPCF VI LG"), an affiliate of American Industrial Partners that is Gerber Technology's sole shareholder.

The strategic combination of Gerber Technology and Lectra will create a premier advanced technology partner, able to quickly meet changing customer needs 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.

If and when the acquisition is consummated, a stable shareholding agreement will be entered into between AIPCF VI LG and Lectra. Under its terms, AIPCF VI LG will have representation at the Board of Directors as long as it owns more than 2.5 million shares and will benefit from anti-dilution right in the event of the issuance of new shares. AIPCF VI LG also undertakes, except in certain limited circumstances, to retain directly or through affiliates, at least 10% of Lectra's capital stock for a period of 90 days following the closing of the transaction, not to increase its ownership percentage without the approval of the Board of Directors, not to sell its shares to a hostile shareholder, or to a shareholder that would then have more than 5% of the share capital and not to compete with Lectra.

After the French work council of Lectra is consulted and the binding documentation is signed, completion of the acquisition shall remain subject to merger control clearance and other customary conditions and shall be submitted to Lectra shareholders for approval.

8. FINANCIAL CALENDAR

The Annual Shareholders' Meeting will take place on April 30, 2021.

First, second, and third quarter earnings for 2021 will be published on April 29, July 29, and October 27, 2021, respectively, after the close of trading on Euronext Paris.

Full-year earnings for 2021 will be published on February 9, 2022.

9. BUSINESS TRENDS AND OUTLOOK

In its 2019 Financial Report, published February 11, 2020, Lectra had reported its long-term vision and its new strategic roadmap for the 2020-2022 period.

The Group already noted the uncertainties linked to the COVID-19 epidemic, which has since become a pandemic, leading to a major and rapid slowdown of the global economic activity.

Through its decisions, the Group has demonstrated its commitment to its social, environmental and societal responsibilities, and to the fundamental values that underlie these responsibilities.

Financial objectives for 2022

To provide a better gauge for measuring the results of the new business combination following the acquisition of Gerber Technology, Lectra has decided to employ EBITDA before non-recurring items to measure its operational performance.

In 2020, Lectra and Gerber Technology achieved combined revenue of 401 million euros and combined EBITDA before non-recurring items[1] of 50.3 million euros, including 236 million euros in revenue and 37.5 million euros in EBITDA before non-recurring items for Lectra.

These results were impacted by the consequences of the COVID-19 crisis; the combined revenue of Lectra and Gerber Technology in 2019 came to 482 million euros.

Lectra has set itself the 2022 objective of returning to the level of combined revenue achieved by the two groups in 2019. Lectra also estimates that the acquisition will generate synergies that should have an impact

[1] The 2020 financial statements of Gerber Technology are unaudited and were prepared according to U.S. GAAP. The EBITDA before non-recurring items has been adjusted to eliminate non-recurring expenses.

of between 12 and 18 million euros on EBITDA before non-recurring items in 2022. Adding these synergies to the expected operational performance of the two groups, the EBITDA before non-recurring items margin is expected to then be between 17% and 20%.

2021 outlook

Through its business model that yet again demonstrated its strength in 2020, Lectra entered 2021 with particularly solid operating fundamentals and an even more robust balance sheet.

Uncertainty surrounding the evolution of the pandemic and its consequences on the macroeconomic environment, together with the degraded financial situation of the Group's customers, could however weigh on customers' investment decisions and postpone or constrain the rebound in orders for new systems.

The objectives set out below were established before taking the Gerber Technology acquisition into account and will be adjusted at the time of the completion of the operation, which is expected to occur during the second quarter of 2021.

Impact of exchange rate fluctuations

Lectra prepared its 2021 scenarios on the basis of the closing rates on December 31, 2020, and particularly $1.23/€1 (compared to the average rate of $1.14/€1 in 2020).

In 2020, the euro appreciated against the dollar and many other currencies. If the 2020 closing rates had applied throughout the year, the Group's 2020 results would have been negatively affected, as follows. Revenues and income from operations before non-recurring items would have been lower by 6.9 million and 4.4 million euros, respectively, at 229.3 and 21.3 million euros. The operating margin before non-recurring items would have been 1.6 points lower, at 9.3%.

Sensitivity to fluctuations in the euro-U.S. dollar exchange rate is discussed in note 11 of the Notes to the consolidated financial statements at December 31, 2020 appended to this report.

Financial objectives

Taking into account the information set out above, Lectra has set the objectives of achieving 2021 revenues in the range of 250 to 268 million euros (+9% to +17% like-for-like) and income from operations before non-recurring items in the range of 27 to 34 million euros (+27% to +60% like-for-like).

Achieving these objectives, however, remains subject to the still significant uncertainties related to the evolution of the pandemic. Furthermore, based on the order backlog at December 31, 2020, revenues and income from operations before non-recurring items for the first quarter of 2021 are expected to be substantially higher than those reported for the first quarter of 2020.

Confidence in growth prospects for the medium-term

Bolstered by the strength of its business model, its roadmap fully geared to the demands of Industry 4.0, and the opportunities arising from the acquisition of Gerber Technology, the Group is confident in its prospects for the medium term.

The Board of Directors

February 10, 2021

ADDITIONAL INFORMATION – FOURTH QUARTER 2020

ORDERS FOR NEW SYSTEMS – LIKE-FOR-LIKE

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

(in thousands of euros)	2020 Actual	2020 %	2020 At 2019 exchange rates	2019 Actual	2019 %	Changes 2020/2019 Actual	Changes 2020/2019 Like-for-like
	Three Months Ended December 31						
Perpetual software licenses	2,075	7%	2,131	3,143	11%	-34%	-32%
Equipment and accompanying software	22,631	82%	23,594	21,277	75%	+6%	+11%
Training and consulting services	2,522	9%	2,605	3,407	12%	-26%	-24%
Miscellaneous	468	2%	477	585	2%	-20%	-18%
Total	27,697	100%	28,808	28,412	100%	-3%	+1%
€ / $ average parity	*1.19*		*1.11*	*1.11*			

New software subscriptions

(in thousands of euros)	2020 Actual	2020 %	2020 At 2019 exchange rates	2019 Actual	2019 %	Changes 2020/2019 Actual	Changes 2020/2019 Like-for-like
	Three Months Ended December 31						
Annual value of new software subscriptions	1,101	na	1,129	737	na	+49%	+53%
€ / $ average parity	*1.19*		*1.11*	*1.11*			

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)	2020 Actual	2020 %	2020 At 2019 exchange rates	2019 Actual	2019 %	Changes 2020/2019 Actual	Changes 2020/2019 Like-for-like
	Three Months Ended December 31						
Europe, of which:	27,535	42%	27,730	30,557	41%	-10%	-9%
- France	4,397	7%	4,394	4,175	6%	+5%	+5%
Americas	18,951	29%	20,780	16,300	22%	+16%	+27%
Asia-Pacific	14,366	22%	14,986	21,318	29%	-33%	-30%
Other countries	4,761	7%	4,892	6,037	8%	-21%	-19%
Total	65,614	100%	68,389	74,213	100%	-12%	-8%
€ / $ average parity	*1.19*		*1.11*	*1.11*			

Revenues by type of business

(in thousands of euros)	2020 Actual	2020 %	2020 At 2019 exchange rates	2019 Actual	2019 %	Changes 2020/2019 Actual	Changes 2020/2019 Like-for-like
	Three Months Ended December 31						
Revenues from perpetual software licenses, equipment and accompanying software, and non-recurring services, of which:	23,252	35%	24,261	30,573	41%	-24%	-21%
- Perpetual software licenses	2,661	4%	2,727	3,158	4%	-16%	-14%
- Equipment and accompanying software	17,626	27%	18,506	23,487	32%	-25%	-21%
- Training and consulting services	2,497	4%	2,552	3,342	5%	-25%	-24%
- Miscellaneous	468	1%	477	585	1%	-20%	-18%
Recurring revenues, of which:	42,362	65%	44,128	43,640	59%	-3%	+1%
- Software subscriptions	1,144	2%	1,169	625	ns	+83%	+87%
- Software maintenance contracts	9,287	14%	9,523	9,765	13%	-5%	-2%
- Equipment and accompanying software maintenance contracts	14,403	22%	14,999	14,922	20%	-3%	+1%
- Consumables and parts	17,528	27%	18,437	18,328	25%	-4%	+1%
Total	65,614	100%	68,389	74,213	100%	-12%	-8%
€ / $ average parity	*1.19*		*1.11*	*1.11*			

CONSOLIDATED INCOME STATEMENT – LIKE-FOR-LIKE

	Three months ended December 31				
	2020		2019	Changes 2020/2019	
(in thousands of euros)	Actual	At 2019 exchange rates	Actual	Actual	Like-for-like
Revenues	65,614	68,389	74,213	-12%	-8%
Cost of goods sold	(17,651)	(17,882)	(19,948)	-12%	-10%
Gross profit	47,963	50,507	54,265	-12%	-7%
(in % of revenues)	73.1%	73.9%	73.1%	0.0 point	+0.8 points
Research and development	(6,120)	(6,120)	(6,186)	-1%	-1%
Selling, general and administrative expenses	(31,808)	(32,640)	(36,910)	-14%	-12%
Income from operations before non-recurring items	10,035	11,747	11,168	-10%	+5%
(in % of revenues)	15.3%	17.2%	15.0%	+0.3 points	+2.2 points
Non-recurring expenses	(786)	(786)	-	na	na
Income from operations	9,250	10,961	11,168	-17%	-2%
(in % of revenues)	14.1%	16.0%	15.0%	-0.9 points	+1.0 point
Income before tax	8,959	10,670	11,137	-20%	-4%
Income tax	(2,407)	na	(3,112)	-23%	na
Net income	6,551	na	8,025	**-18%**	**na**
of which, Group share	**6,504**	**na**	**8,008**	**-19%**	**na**
of which, Non-controlling interests	47	na	17	na	na
€ / $ average parity	*1.19*	*1.11*	*1.11*		

ADDITIONAL INFORMATION – FULL YEAR 2020

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						
	2020			2019		Changes 2020/2019	
(in thousands of euros)	Actual	%	At 2019 exchange rates	Actual	%	Actual	Like-for-like
Perpetual software licenses	7,751	9%	7,847	12,794	12%	-39%	-39%
Equipment and accompanying software	64,277	78%	65,616	80,157	74%	-20%	-18%
Training and consulting services	9,014	11%	9,120	12,410	12%	-27%	-27%
Miscellaneous	1,594	2%	1,614	2,434	2%	-34%	-34%
Total	82,636	100%	84,197	107,795	100%	-23%	-22%
€ / $ average parity	*1.14*		*1.12*	*1.12*			

1.2. by region

	Twelve Months Ended December 31						
	2020			2019		Changes 2020/2019	
(in thousands of euros)	Actual	%	At 2019 exchange rates	Actual	%	Actual	Like-for-like
Europe	30,549	37%	30,595	40,107	37%	-24%	-24%
Americas	19,748	24%	20,701	17,500	16%	+13%	+18%
Asia-Pacific	27,018	33%	27,469	40,354	38%	-33%	-32%
Other countries	5,321	6%	5,433	9,833	9%	-46%	-45%
Total	82,636	100%	84,197	107,795	100%	-23%	-22%
€ / $ average parity	*1.14*		*1.12*	*1.12*			

1.3. by market

	Twelve Months Ended December 31						
	2020			2019		Changes 2020/2019	
(in thousands of euros)	Actual	%	At 2019 exchange rates	Actual	%	Actual	Like-for-like
Fashion	39,162	47%	39,930	55,166	51%	-29%	-28%
Automotive	23,837	29%	24,285	32,964	31%	-28%	-26%
Furniture	15,092	18%	15,354	15,249	14%	-1%	+1%
Other industries	4,545	6%	4,629	4,415	4%	+3%	+5%
Total	82,636	100%	84,197	107,795	100%	-23%	-22%
€ / $ average parity	*1.14*		*1.12*	*1.12*			

2. New software subscriptions

	Twelve Months Ended December 31						
	2020			2019		Changes 2020/2019	
(in thousands of euros)	Réel	%	At 2019 exchange rates	Actual	%	Actual	Like-for-like
Annual value of new software subscriptions	2,868	na	2,898	1,868	na	+54%	+55%
€ / $ average parity	*1.14*		*1.12*	*1.12*			

BREAKDOWN OF REVENUES – LIKE-FOR-LIKE

Revenues by region

	Twelve Months Ended December 31						
	2020			2019		Changes 2020/2019	
(in thousands of euros)	Actual	%	At 2019 exchange rates	Actual	%	Actual	Like-for-like
Europe, of which:	100,770	43%	101,164	113,452	41%	-11%	-11%
- France	16,512	7%	16,504	17,223	6%	-4%	-4%
Americas	63,455	27%	66,215	67,503	24%	-6%	-2%
Asia-Pacific	55,088	23%	55,931	76,426	27%	-28%	-27%
Other countries	16,870	7%	17,250	22,642	8%	-25%	-24%
Total	236,182	100%	240,561	280,023	100%	-16%	-14%
€ / $ average parity	*1.14*		*1.12*	*1.12*			

Revenues by type of business

	Twelve Months Ended December 31						
	2020			2019		Changes 2020/2019	
(in thousands of euros)	Actual	%	At 2019 exchange rates	Actual	%	Actual	Like-for-like
Revenues from perpetual software licenses, equipment and accompanying software, and non-recurring services, of which:	77,681	33%	78,978	110,239	39%	-30%	-28%
- Perpetual software licenses	8,418	4%	8,521	13,493	5%	-38%	-37%
- Equipment and accompanying software	57,742	24%	58,819	82,077	29%	-30%	-28%
- Training and consulting services	9,927	4%	10,025	12,236	4%	-19%	-18%
- Miscellaneous	1,594	1%	1,614	2,434	1%	-34%	-34%
Recurring revenues, of which:	158,501	67%	161,583	169,784	61%	-7%	-5%
- Software subscriptions	3,669	2%	3,709	1,562	ns	+135%	+137%
- Software maintenance contracts	37,463	16%	37,918	38,485	14%	-3%	-1%
- Equipment and accompanying software maintenance contracts	58,205	25%	59,202	57,854	21%	+1%	+2%
- Consumables and parts	59,164	25%	60,754	71,883	26%	-18%	-15%
Total	236,182	100%	240,561	280,023	100%	-16%	-14%
€ / $ average parity	*1.14*		*1.12*	*1.12*			

CONSOLIDATED INCOME STATEMENT – LIKE-FOR-LIKE

	Twelve months ended December 31				
	2020		2019	Changes 2020/2019	
(in thousands of euros)	Actual	At 2019 exchange rates	Actual	Actual	Like-for-like
Revenues	236,182	240,561	280,023	-16%	-14%
Cost of goods sold	(59,696)	(60,005)	(74,808)	-20%	-20%
Gross profit	176,486	180,556	205,214	-14%	-12%
(in % of revenues)	74.7%	75.1%	73.3%	+1.4 points	+1.8 points
Research and development	(22,689)	(22,689)	(22,019)	+3%	+3%
Selling, general and administrative expenses	(128,157)	(129,913)	(142,306)	-10%	-9%
Income from operations before non-recurring items	25,640	27,954	40,889	-37%	-32%
(in % of revenues)	10.9%	11.6%	14.6%	-3.7 points	-3.0 points
Non-recurring expenses	(786)	(786)	-	na	na
Income from operations	24,854	27,168	40,889	-39%	-34%
(in % of revenues)	10.5%	11.3%	14.6%	-4.1 points	-3.3 points
Income before tax	23,709	26,022	40,075	-41%	-35%
Income tax	(6,131)	na	(10,751)	-43%	na
Net income	17,578	na	29,324	**-40%**	**na**
of which, Group share	**17,529**	**na**	**29,305**	**-40%**	**na**
of which, Non-controlling interests	49	na	19	na	na
€ / $ average parity	*1.14*	*1.12*	*1.12*		

Company Certification of the Fourth Quarter and Fiscal Year 2020 Report

We certify that, to our knowledge, the financial statements of the fourth quarter and fiscal year 2020 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 2020 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 10, 2021

Daniel Harari	Olivier du Chesnay
Chairman and Chief Executive Officer	Chief Financial Officer

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

At December 31

(in thousands of euros)	2020	2019
Goodwill	46,528	47,380
Other intangible assets	4,665	4,008
Leasing rights-of-use	15,429	18,697
Property, plant and equipment	25,067	26,963
Other non-current assets	20,992	17,242
Deferred tax assets	7,950	8,589
Total non-current assets	120,631	122,879
Inventories	29,519	30,919
Trade accounts receivable	43,009	56,933
Other current assets	13,076	12,217
Cash and cash equivalents	134,626	120,558
Total current assets	220,230	220,627
Total assets	**340,861**	**343,506**

EQUITY AND LIABILITIES

(in thousands of euros)	2020	2019
Share capital	32,512	32,099
Share premium	19,387	15,802
Treasury shares	(343)	(698)
Currency translation adjustments	(11,293)	(9,481)
Retained earnings and net income	151,750	145,141
Non-controlling interests	160	159
Total equity	192,173	183,022
Retirement benefit obligations	11,995	11,107
Non-current lease liabilities	10,434	13,407
Minority shares purchase commitment	2,165	4,333
Borrowings, non-current portion	-	-
Total non-current liabilities	24,594	28,847
Trade and other current payables	53,657	58,896
Deferred revenues	56,690	58,459
Current income tax liabilities	2,958	3,436
Current lease liabilities	5,411	5,675
Minority shares purchase commitment	2,332	2,167
Borrowings, current portion	-	-
Provisions for other liabilities and charges	3,046	3,004
Total current liabilities	124,094	131,637
Total equity and liabilities	**340,861**	**343,506**

CONSOLIDATED INCOME STATEMENT

Twelve months ended December 31 (in thousands of euros)	2020	2019
Revenues	236,182	280,023
Cost of goods sold	(59,696)	(74,808)
Gross profit	176,486	205,214
Research and development	(22,689)	(22,019)
Selling, general and administrative expenses	(128,157)	(142,306)
Income (loss) from operations before non-recurring items	25,640	40,889
Non-recurring expenses (1)	(786)	-
Income from operations	24,854	40,889
Financial income	94	461
Financial expenses	(541)	(556)
Foreign exchange income (loss)	(699)	(719)
Income before tax	23,709	40,075
Income tax	(6,131)	(10,751)
Net income	**17,578**	**29,324**
of which, Group share	**17,529**	**29,305**
of which, Non-controlling interests	49	19

(in euros)		
Earnings per share, Group share:		
- basic	0.54	0.92
- diluted	0.54	0.90
Shares used in calculating earnings per share		
- basic	32,227,995	31,977,237
- diluted	32,490,553	32,395,083

(in thousands of euros)		
Income (loss) from operations before non-recurring items	25,640	40,889
+ Net depreciation and amortization of non-current assets	11,853	11,644
EBITDA before non-recurring items	37,493	52,533

(1) *This amount was recognized in 2020 for fees and other costs relating to the proposed acquisition of Gerber Technology.*

STATEMENT OF COMPREHENSIVE INCOME, GROUP SHARE (2)

Twelve months ended December 31 (in thousands of euros)	2020	2019
Net income, Group share	17,529	29,305
Currency translation adjustments	(1,562)	6
Tax effect	(249)	67
Other comprehensive income to be reclassified in net income	(1,812)	73
Remeasurement of the net liability arising from defined benefits pension plans	(324)	(700)
Tax effect	92	215
Other comprehensive income not to be reclassified in net income	(232)	(485)
Total other comprehensive income	(2,044)	(412)
Comprehensive income, Group share	**15,485**	**28,893**

(2) *The Group considered as non-material the information regarding the comprehensive income of the non-controlling interests (20% of Retviews minority shares only since July 2020, and 30% before that – 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)	2020	2019
I - OPERATING ACTIVITIES		
Net income	17,578	29,324
Net depreciation and amortization (non-current assets)	11,853	11,644
Net depreciation and provisions (current assets)	4,014	1,046
Non-cash operating expenses	408	367
Loss (profit) on sale of fixed assets	22	81
Changes in deferred income taxes	140	1,033
Changes in inventories	(1,082)	2,419
Changes in trade accounts receivable	12,204	3,605
Changes in other current assets and liabilities	(1,331)	4,607
Changes in other operating non-current assets	(7,776)	(5,167)
Net cash provided by (used in) operating activities	36,030	48,961
II - INVESTING ACTIVITIES		
Purchases of intangible assets	(2,205)	(1,809)
Purchases of property, plant and equipment	(2,198)	(4,638)
Proceeds from sales of intangible and tangible assets	26	16
Acquisition cost of companies purchased (1)	(878)	(7,629)
Purchases of financial assets (2)	(5,306)	(6,082)
Proceeds from sales of financial assets (2)	4,648	5,901
Net cash provided by (used in) investing activities	(5,913)	(14,241)
III - FINANCING ACTIVITIES		
Proceeds from issuance of ordinary shares	3,998	2,211
Dividend paid	(12,844)	(12,782)
Purchases of treasury shares	(4,620)	(5,639)
Sales of treasury shares	5,018	5,660
Repayment of lease liabilities	(5,844)	(6,162)
Net cash provided by (used in) financing activities	(14,292)	(16,711)
Increase (decrease) in cash and cash equivalents	**15,825**	**18,009**
Cash and cash equivalents at opening	120,558	102,223
Increase (decrease) in cash and cash equivalents	15,825	18,009
Effect of changes in foreign exchange rates	(1,757)	326
Cash and cash equivalents at closing	134,626	120,558
Net cash provided by (used in) operating activities	36,030	48,961
+ Net cash provided by (used in) investing activities	(5,913)	(14,241)
- Acquisition cost of companies purchased	878	7,629
- Repayment of lease liabilities	(5,844)	(6,162)
Free cash flow	25,151	36,187
Income tax (paid) / reimbursed, net	(4,673)	(4,208)
Interest paid on lease liabilities	(155)	(163)
Interest paid	-	-

(1) *In 2019, this amount corresponds to the acquisition cost of 70% of Retviews, net of cash acquired; in 2020, it corresponds to the amount paid for the purchase of an additional 10% (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.*

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 [1]	**Total equity**
Balance at January 1, 2019	31,846,757	1.00	31,847	13,843	(560)	(9,554)	134,802	170,377		170,377
Net income							29,305	29,305	19	29,324
Other comprehensive income						73	(485)	(412)		(412)
Comprehensive income						73	28,820	28,893	19	28,912
Exercised stock options	252,343	1.00	252	1,959				2,211		2,211
Fair value of stock options							693	693		693
Sale (purchase) of treasury shares					(138)			(138)		(138)
Profit (loss) on treasury shares							106	106		106
Integration of Retviews and minority shares purchase commitment [1]							(6,500)	(6,500)	140	(6,360)
Dividend paid							(12,782)	(12,782)		(12,782)
Balance at December 31, 2019	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 [2]							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**

(1) These amounts are the result of the acquisition of Retviews in 2019. Note 3 hereafter describes the impact of this acquisition on the Group's financial statements.

(2) This amount stems from the acquisition of an additional 10% of Retviews in July 2020 (see note 3 hereafter).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2020

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 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 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. The Group supports customers through its unrivalled network of 34 sales and services' subsidiaries, from which Lectra generates over 90% of revenues.

Lectra also has an International Advanced Technology & Conference Center in Bordeaux-Cestas (France) where the company welcomes customers from all over the world, and five international Call Centers, based in Bordeaux-Cestas (France), Madrid (Spain), Milan (Italy), Atlanta (USA) and Shanghai (China).

Customers

From global corporations to smaller national 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

The Group markets end-to-end integrated technology solutions: software, automated cutting equipment, data and services. The distinctive feature of Lectra's offer is to integrate business expertise with the best industrial practices for each market sector. All Lectra software and equipment, including electronics, are designed and developed in-house.

Equipment is assembled from parts produced by a network of subcontractors and tested in the company's industrial facilities in Bordeaux-Cestas (France). Since 2007, cutting machines on the market incorporate hundreds of sensors which connect them to Lectra's Call Centers, enabling preventive and predictive maintenance.

The services include technical maintenance, support, training and consulting.

The Group also sells consumables and parts for its equipment.

People

Lectra's strength lies in the skills and experience of more than 1,700 employees worldwide. Thanks to Lectra's global presence the Group is geographically close to 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, 2020 have been prepared in accordance with the same rules and methods as those applied in the preparation of the 2019 financial statements, with the exception of the amendment to the IFRS 16 standard dated May 28, 2020 presented below. They have been prepared under the responsibility of the Board of Directors that reviewed and approved them at its meeting of February 10, 2021. 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 24, 2021, which will approve the notes to the consolidated financial statements. The Q4 financial statements have not been reviewed separately by the statutory auditors.

The other standards, amendments and interpretations adopted by the European Union whose application is required for fiscal years starting from January 1, 2020 have no impact on the Group's financial statements. The Group has not early adopted any other standards, amendments or interpretations whose application is not required for fiscal years starting from January 1, 2020.

Amendment to IFRS 16 – Leases

The Group has applied the amendment to IFRS 16: *COVID-19-Related Rent Concessions*. This amendment enables the Group not to consider certain rent concessions as lease modifications. The Group has chosen to apply the amendment to all rent concessions meeting the conditions (that is, among other conditions: that are a direct consequence of the COVID-19 pandemic and that have been obtained without other substantive changes to terms and conditions of the leases).

At December 31, 2020, this amendment affected a limited number of subsidiaries. Its impact on the Group's consolidated income statement was less than 0.2 million 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 goodwill and fixed assets impairment and 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. However, 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' production and is very often sold separately to clients;
- Regarding maintenance of software and equipment, these are yearly contracts in which the Group's commitment is a stand-ready type, or an obligation to make future not-yet-planned versions of the software available. The solutions (equipment and software) are distinct from maintenance / evolution since they are entirely ready to work upon delivery and since maintenance / evolution 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 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’.

Equipment is designed, made and assembled by the Group from parts produced by a network of subcontractors. Lectra acts as principal in the sale of equipment insofar as parts 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)*, 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, 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 excluded from income from operations before non-recurring items 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 (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

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.

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

Lease liabilities (according to IFRS 16) do not affect performance as monitored by the Group.

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, 2020, the Group's scope of consolidation comprised the parent company, Lectra SA, together with 31 fully-consolidated companies.

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 capital and voting rights of Retviews, for an amount comprised of 1 million euros (0.9 million euros paid out in July 2020 and the remainder in January 2021). The acquisition of the remaining capital and voting rights will take place in two installments in July 2021 and July 2022 for the amounts of about 0.7 times 2021 revenues and 0.5 times 2022 revenues, respectively.

The purchase price accounting has been finalized without change and the main impacts on the Group's financial statements were:

- Goodwill recorded for an amount of 7.7 million euros;
- Non-controlling interests recorded for an initial amount of 0.1 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, for a total amount of 6.5 million euros, with its counterpart recorded in 'Equity, Group share';
- The acquisition cost for Lectra, net of cash acquired, amounted to 7.6 million euros.

At December 31, 2020, the acquisition of an additional 10% of capital and voting rights caused the reclassification, within total Equity, of an amount less than 0.1 million euros, from 'Non-controlling interests' to 'Equity, Group share'. Following this acquisition, the debt corresponding to the minority shares purchase commitment was reduced (by 1.1 million euros) against equity (Group share), and amounted to 4.5 million euros, of which 2.3 million euros classified as current liabilities and 2.2 million euros as non-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 2020, nor in 2019.

Three sales and service subsidiaries are not consolidated, their revenues being immaterial both separately and combined. At December 31, 2020, their combined revenues totaled 0.8 million euros, and their combined assets totaled 2.9 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, 2020.

4. OPERATING SEGMENTS INFORMATION

Twelve months ended December 31, 2020 (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
Income (loss) from operations before non-recurring items	7,577	12,111	11,332	5,434	(10,814)	25,640

Twelve months ended December 31, 2019 (in thousands of euros)	Northern Europe[1]	Southern Europe[2]	Americas	Asia-Pacific	Corporate	Total
Revenues	59,083	72,571	67,503	80,866	-	280,023
Income (loss) from operations before non-recurring items	8,005	13,472	9,772	8,044	1,595	40,889

(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.

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

5. CONSOLIDATED CASH FLOW SUMMARY

Twelve months ended December 31, 2020 (in thousands of euros)	Cash and cash equivalents	Financial debts	Net cash
Free cash flow	25,151	-	25,151
Proceeds from issuance of ordinary shares[1]	3,998	-	3,998
Sale and purchase of treasury shares[2]	398	-	398
Acquisition cost of companies purchased[3]	(878)	-	(878)
Dividend paid	(12,844)	-	(12,844)
Impact of currency variations – other	(1,757)	-	(1,757)
Change in cash position for the period	14,068	-	14,068
Cash position at December 31, 2019	120,558	-	120,558
Cash position at December 31, 2020	134,626	-	134,626
Change in cash position for the period	14,068	-	14,068

(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) Acquisition of an additional 10% of Retviews (see note 3).

Free cash flow at December 31, 2020, was 25.2 million euros. This figure results from a combination of 36 million euros in cash flows provided by operating activities (including a decrease in working capital requirement of 9.8 million euros) and capital expenditures of 5 million euros. The cash flows provided by operating activities also comprised an increase in other operating non-current assets of 7.8 million euros (corresponding to the part of the 2020 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 5.8 million euros, was taken into account.

The variation in working capital is explained as follows:

- −12.2 million euros corresponding to the decrease in trade accounts receivable, following a decline in revenues from software licenses, equipment, consumables and parts and non-recurring services (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);
- +1.1 million euros corresponding to the increase in inventories;

- −2.6 million euros arising from the reimbursement of the outstanding balance of the 2016 research tax credit (see note 6 hereafter) in Q3 2020;
- +3.6 million euros arising from the difference between the variable portion of salaries for the Group in respect of fiscal year 2019 paid mainly in 2020, and the one recognized in 2020 that will be paid in 2021;
- +0.3 million euros arising from the changes in other current assets and liabilities; taken individually, these changes are all immaterial.

The working capital requirement at December 31, 2020 was negative at 27.7 million euros. It comprised the current portion (4.5 million euros) of the 22.6 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, 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.

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 (8.9 million euros) for 2020 were accounted for but not received.

Thus, at December 31, 2020, Lectra SA held a 22.6 million euros receivable on the French tax administration (of which 18 million euros classified within other non-current assets). This solely comprised the remaining amount of the research tax credit, after deduction from the corporate income tax due by Lectra SA in the same year: for 2020 (7.8 million euros), 2019 (5.2 million euros), 2018 (5 million euros), and 2017 (4.5 million euros).

In light of its estimates of tax credits and corporate income tax for the next three fiscal years, the company 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 July 2020 the reimbursement of the outstanding balance of 2.6 million euros in respect of the 2016 tax credit and should receive the reimbursement of the outstanding balance of these non-deducted tax credits as follows: 2021 (in respect of the 2017 tax credit), 2022 (in respect of the 2018 tax credit), 2023 (in respect of the 2019 tax credit) and 2024 (in respect of the 2020 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, 2020, the company has purchased 242,587 shares and sold 260,139 shares at an average price of €19.05 and €19.29 respectively under the liquidity agreement administered by Exane BNP Paribas.

At December 31, 2020, the company held 13,997 Lectra shares (i.e. 0.04% of the share capital) with an average purchase price of €24.50 entirely under the liquidity agreement.

8. CASH AND CASH EQUIVALENTS AND NET CASH

(in thousands of euros)	December 31, 2020	December 31, 2019
Available cash	99,626	90,558
Cash equivalents	35,000	30,000
Borrowings and financial debts	-	-
Net cash	134,626	120,558

The Group has no borrowings or financial debts. Thus, net cash was equal the sum of available cash and cash equivalents.

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

9. FOREIGN EXCHANGE RISK

The Group's currency risk management policy is unchanged relative to December 31, 2019.

In 2020, the average parity between the US dollar and the euro was $1.14/€1.

Exchange risk hedging instruments

Exchange risk hedging instruments at December 31, 2020 were comprised of forward sales or purchases of foreign currencies (mainly US dollar) for a net total equivalent value (sales minus purchases) of 1.8 million euros, intended to hedge existing balance sheet positions. Thus, the company has hedged almost all its balance sheet positions.

Moreover, the company has not hedged its exposure to currency rates for 2021.

10. IMPLICATIONS OF THE COVID-19 OUTBREAK ON THE FINANCIAL STATEMENTS

The COVID-19 epidemic and its consequences really marked 2020.

From the start of the crisis, the Group took the necessary hygiene and physical distancing measures to safeguard the health of employees, customers, suppliers and other stakeholders. These measures are still in effect.

The measures adopted by the Group, along with the impacts of the pandemic are described in Chapter 2 of the Management Discussion to which theses notes are appended.

In particular, the Group has implemented measures to reduce its overhead costs (initially budgeted to increase by 8% in 2020) by cancelling or postponing all non-essential expenses.

Moreover, the Group was able to renegotiate some of its renting agreements. Those rent concessions were all analyzed and those entering the scope of the IFRS 16 amendment were treated accordingly, as explained in note 2. Other concessions outside the scope of the IFRS 16 amendment also generated savings for the Group, in the total amount of 0.2 million euros for 2020.

The impacts of the health crisis were taken into account for the impairment tests performed by the Group in December 2020. These tests conclude that no impairment should be recorded in 2020, on either goodwill or other non-current assets of the Group.

The Group considers that it is financially equipped to deal with a temporary or more sustained reduction in its business activity.

11. SENSITIVITY ANALYSIS

The sensitivity analyses below have been calculated before taking into account the Gerber Technology acquisition project.

Sensitivity of income from operations before non-recurring items to a change in revenues from new systems sales

Under the company's business model, each 1 million euros increase (or decrease) in revenues from new systems sales results in a rise (or fall) in income from operations before non-recurring items of approximately 0.45 million euros.

Sensitivity of revenues and income from operations before non-recurring items to a change in exchange rates

The sensitivity of revenues and income from operations before non-recurring items to a change in exchange rates was based on the December 31, 2020 exchange rates for the relevant currencies, in particular $1.23/€1.

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 $1.18/€1) would mechanically increase 2021 annual revenues by approximately 3.4 million euros and annual income from operations before non-recurring items by 2.2 million euros. Conversely, a 5-cent appreciation of the euro against the US dollar (i.e. $1.28/€1) would mechanically reduce annual revenues and income from operations before non-recurring items by the same amounts.

The parity is $1.21/€1 on the date of this report.

In addition to fluctuating against the US dollar and currencies strongly correlated with it, the euro also fluctuates against other currencies. These variations are frequently dissimilar both in direction (upward and downward) and in scale.