MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS FOR THE THIRD QUARTER AND FIRST NINE MONTHS OF 2021

Dear Shareholders,

We report below on Lectra Group's business activity and consolidated financial statements for the third quarter and first nine months of 2021, ending September 30, 2021.

These financial statements incorporate the acquisitions of Gerber Technology, consolidated since June 1, 2021, Neteven, since July 28, 2021, and Gemini CAD Systems, since September 27, 2021 ("2021 Acquisitions"). They have not been reviewed by the Statutory Auditors.

To facilitate analysis of the Group's third quarter and first nine-month financial statements, Lectra's financial statements before taking into account the 2021 Acquisitions (the "Lectra 2020 scope") and those of the 2021 Acquisitions are analyzed separately. For the Lectra 2020 scope, comparisons between 2021 and 2020 are based on 2020 exchange rates unless otherwise stated ("like-for-like").

Orders for new systems are reported using two indicators: on the one hand, the value of software sold separately under perpetual software licenses, equipment and accompanying software (also sold in the form of perpetual licenses) and non-recurring services; and on the other hand, the annual value of new subscriptions for software sold in Software-as-a-Service (SaaS) mode. The analysis of orders is limited to the Lectra 2020 scope.

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

The detailed tables and like-for-like changes in orders for new systems, in revenues, and in the income statements for the third quarter and first nine months of 2021 are provided in the additional information of this report, starting on page 9. These tables allow identification of the impact of the 2021 Acquisitions on the revenues and income from operations for the third quarter and first nine months of 2021.

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

1. SUMMARY FOR Q3 2021

Q3 2021 revenues amounted to 115.3 million euros and more than doubled at actual exchange rates compared to Q3 2020.

EBITDA before non-recurring items totaled 20.1 million euros, up 76% at actual exchange rates, and the EBITDA margin before non-recurring items was 17.5%.

Gerber Technology contributed 45.1 million euros to revenues and 5.3 million euros to EBITDA before non-recurring items. Neteven contributed 0.5 million euros to revenues and made a negligible contribution to EBITDA before non-recurring items.

Income from operations before non-recurring items amounted to 13.4 million euros (8.5 million euros in Q3 2020). After a non-recurring charge of 1.6 million euros recognized in Q3 2021 for fees and other costs relating to the acquisition of Gerber Technology, income from operations amounted to 11.8 million euros.

Net income totaled 7.9 million euros (+20% at actual exchange rates compared to Q3 2020).

Free cash flow before non-recurring items came to 19.3 million euros, including receipt of the 4.5-million-euro balance of the 2017 research tax credit (8.5 million euros in Q3 2020, including receipt of the 2.6-million-euro balance of the 2016 research tax credit). After disbursement of 3.9 million euros in Q3 in respect of fees and other related expenses in connection with the acquisition of Gerber Technology, free cash-flow came to 15.3 million euros.

1.1 Lectra 2020 scope

With an average exchange rate of $1.18/€1 in Q3, the US dollar was down 1% compared to Q3 2020, while the yuan strengthened by 6% against the euro. Currency changes mechanically increased revenues by 0.5 million euros (+1%) and income from operations before non-recurring items by 0.4 million euros (+3%) at actual exchange rates, compared to like-for-like figures.

Continued rebound in orders, revenues and income from operations before non-recurring items

Business activity and results in Q3 2020, while still affected by the COVID-19 crisis, had begun to show the first signs of a rebound. Q3 2021 confirmed the improvement observed at the end of 2020 and then in H1 2021.

Orders for perpetual software licenses, equipment and accompanying software, and non-recurring services (28.3 million euros) were up 36% compared to Q3 2020.

The annual value of new software subscription orders multiplied by 2 and amounted to 1.6 million euros.

Revenues (69.8 million euros) increased by 22% compared to Q3 2020 (+23% at actual exchange rates).

Income from operations before non-recurring items totaled 11.9 million euros; it increased by 35% like-for-like and by 40% at actual exchange rates.

The operating margin before non-recurring items was 17%, up 1.6 percentage points like-for-like and 2 percentage points at actual exchange rates.

1.2 Acquisition of the company Gemini

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

This acquisition, finalized on September 27, 2021, is in line with Lectra's strategy of expanding its presence and its value proposition in the fashion market.

While Gemini's balance sheet is integrated in the Group's accounts at September 30, 2021, its impact on the Q3 income statement was negligible, and was not taken into account.

Founded in 2004, Gemini has developed several innovative software solutions, essentially Computer Aided Design (CAD), for small and medium-sized fashion companies. Thanks to its network of partners, Gemini is present in over 60 countries.

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

2. CONSOLIDATED FINANCIAL STATEMENTS FOR FIRST NINE MONTHS OF 2021

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

While activity and results for the first nine months of the year reflected a rebound in activity and investment decisions by customers, along with successful deployment of the Group's new offers, some consequences of the COVID-19 crisis and the current upturn in the global economy have had and continue to have a negative impact.

Supply difficulties and the rising cost of certain raw materials are affecting the Group's manufacturing schedules and costs. Maritime transport issues are causing delays in deliveries and sharply higher transport costs. Furthermore, shortages of electronic components are having a negative impact on production by the Group’s automotive customers and, consequently, on its revenue from consumables and parts. Finally, the very strict lockdown in Vietnam has led to the complete stoppage of a significant portion of manufacturing activity, and the Group's activity in the country has been severely reduced for several months. So far, however, the Group has been able to limit the impact of these disruptions on its business and results.

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

Revenues of the first nine months of 2021 were 262 million euros, up 54% at actual exchange rates.

EBITDA before non-recurring items totaled 43.4 million euros, up 78% at actual exchange rates, and the EBITDA margin before non-recurring items was 16.5%.

Gerber Technology (since June 1) and Neteven (since July 28) have contributed 58.6 million euros and 0.5 million euros to revenues, respectively. Gerber's contribution to EBITDA before non-recurring items was positive 6.6 million euros, and Neteven's contribution was negligible.

Consolidated income from operations before non-recurring items amounted to 29.6 million euros. This included a 3.3-million-euro charge for amortization of intangible assets arising from the acquisitions of Gerber Technology and Neteven (see chapter 2.3).

After a non-recurring charge of 6.4 million euros, recognized in the first nine months of 2021 for fees and other costs relating to the acquisition of Gerber Technology, income from operations amounted to 23.2 million euros.

Financial income and expenses represented a net charge of 0.8 million euros. After net foreign exchange gains of a negative 0.3 million euros and an income tax expense of 5.3 million euros, net income totaled 16.8 million euros, up 53% at actual exchange rates.

Net earnings per share were €0.48 on basic capital and €0.47 on diluted capital (€0.34 on basic capital and diluted capital in the first nine months of 2020).

Free cash flow before non-recurring items came to 33.6 million euros (10 million euros in the first nine months of 2020). This sharp rise is attributable mainly to the improvement in business activity and higher income from operations. After disbursement of 6.8 million euros in the first nine months, in respect of fees and other related expenses in connection with the acquisition of Gerber Technology, free cash-flow amounted to 26.8 million euros.

2.1 Lectra 2020 scope

Negative impact of currency changes

With an average exchange rate of $1.20/€1 in the first nine months of 2021, the US dollar was down 6% compared to the first nine months of 2020, while the yuan strengthened by 2% against the euro. Currency changes mechanically decreased revenues by 4.6 million euros (-2%) and income from operations before non-recurring items by 2.8 million euros (-9%) at actual exchange rates, compared to like-for-like figures.

Strong growth in orders and revenues, income from operations before non-recurring items multiplied by 2

Revenues (202.9 million euros) increased by 22% (+19% at actual exchange rates) compared to the first nine months of 2020, which had suffered the effects of the health crisis.

Orders

Orders for perpetual software licenses, equipment and accompanying software, and non-recurring services (84.9 million euros) increased by 58%.

Orders for perpetual software licenses (5 million euros) were down 10%, those for equipment and accompanying software (69.8 million euros), and training and consulting (8.7 million euros) increased by 72% and 36%, respectively.

Geographically, orders for perpetual software licenses, equipment and accompanying software, and non-recurring services increased by 100% in Asia-Pacific, 77% in the Americas, 26% in Europe, and 1% in the rest of the world (including Northern Africa, South Africa, Turkey, and the Middle East). They increased by 94% in the automotive market, 72% in the furniture market, 35% in the fashion market and 36% in the other industries.

As for the annual value of new software subscription orders, it amounted to 4.3 million euros, multiplied by close to 2.5 compared to the first nine months of 2020. The improvement was seen in all geographical areas and was attributable primarily to the fashion market.

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

Revenues from perpetual software licenses, equipment and accompanying software, and non-recurring services (76.6 million euros) increased by 44%. They include mainly:

- perpetual software licenses (5.1 million euros), which decreased by 10% and accounted for 2% of revenues (3% in 2020);
- equipment and accompanying software (62.2 million euros), which increased by 59% and accounted for 31% of revenues (24% in 2020);
- training and consulting (8 million euros), which increased by 9% and accounted for 4% of revenues (4% in 2020).

The amount reported for orders for perpetual software licenses, equipment and accompanying software, and non-recurring services in the first nine months (84.9 million euros) was 8.3 million euros higher than the corresponding revenues figure (76.6 million euros). This difference is primarily due to the strong growth in orders, and issues regarding the availability of maritime transport, which have caused delays in shipping and invoicing.

Accordingly, at September 30, 2021, the order backlog for perpetual software licenses, equipment and accompanying software, and training and consulting stood at the particularly high level of 32.8 million euros. It increased by 7.9 million euros compared to December 31, 2020, and by 12.5 million euros compared to September 30, 2020, like-for-like.

Revenues from recurring contracts, and consumables and parts

Revenues from recurring contracts—which represented 37% of revenues—amounted to 75.8 million euros, a 4% increase.

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

- software subscriptions were 5.1 million euros, a twofold increase, and represented 3% of revenues;

- software maintenance contracts came to 26.7 million euros, down 4%, and represented 13% of revenues;
- equipment and accompanying software maintenance contracts were 44 million euros, up 3%, and represented 22% of revenues.

In parallel, revenues from consumables and parts (50.5 million euros) increased by 25% compared to the first nine months of 2020, which were affected by the acute reduction in business activity of the Group's customers due to the health crisis. They represented 25% of revenues (24% in 2020).

In total, recurring revenues (126.3 million euros) increased by 11%.

Gross profit

Gross profit amounted to 148.1 million euros, up 18% compared to 2020.

The overall gross profit margin was 73%, down 2 percentage points relative to the first nine months of 2020. This decrease stems mainly from the evolution of the product mix, and specifically the very strong growth in equipment and accompanying software revenues.

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

Overhead costs

Total overhead costs were 120.1 million euros, up 8% compared to 2020. The breakdown is as follows:

- 102.3 million euros in fixed overhead costs (-3%);
- 17.7 million euros in variable costs (multiplied by 2.8).

At actual exchange rates, overhead costs increased by 6%.

While fixed costs continued to benefit from the cost-containment measures implemented in 2020, the sharp rise in variable costs, attributable mainly to the variable portion of compensation, profit sharing and the incentive plan, is explained by the very strong growth in orders for new systems, in revenues, and in earnings.

The variable portion of compensation and employee incentive plan bonuses were both particularly low in 2020, as the COVID-19 crisis prevented achievement of performance objectives. In 2021, results have significantly exceeded objectives, which translates into much higher amounts, as the calculation formula incorporates a multiplier effect when the objectives are exceeded.

Research and development costs (25.1 million euros), which are fully expensed in the period and included in fixed overhead costs, represented 12.4% of revenues (23.2 million euros and 13.6% of revenues in the first nine months of 2020). After deducting the research tax credit applicable in France and grants received, net research and development costs totaled 18.4 million euros (16.6 million euros in 2020).

Income from operations before non-recurring items

Income from operations before non-recurring items amounted to 28 million euros, it was multiplied by 2 compared to the first nine months of 2020 (by 1.8 at actual exchange rates).

The operating margin before non-recurring items was 13.8%, up 5.7 percentage points like-for-like, and 4.7 percentage points at actual exchange rates.

2.2 2021 Acquisitions

From June 1 (acquisition date) to September 30, 2021, Gerber Technology reported 58.6 million euros in revenues and 6.6 million euros in EBITDA before non-recurring items.

If Lectra had completed the acquisition on January 1, 2021, then Gerber Technology would have reported pro forma revenues for the first nine months of 2021 of 162.2 million US dollars (approximately 136 million euros) and pro forma EBITDA before non-recurring items of 18 million US dollars (approximately 15 million euros).

From July 28 (acquisition date) to September 30, 2021, Neteven reported 0.5 million euros in revenues and its EBITDA before non-recurring items was negligible.

2.3 Balance sheet at September 30, 2021

The balance sheet at September 30, 2021 includes the effects of the acquisition of Gerber Technology, which are set out below. It also includes the impacts of the Neteven and Gemini acquisitions, which remain small.

At September 30, 2021, consolidated shareholders' equity amounted to 380.2 million euros (192.2 million euros at December 31, 2020). This increase is explained mainly by the capital increase carried out for the purpose of the acquisition of Gerber Technology in the total amount of 165.3 million euros (see chapter 3).

The Company took out a 140-million-euro loan to finance the cash portion of the acquisition price of Gerber Technology in the amount of 175 million euros. It paid a dividend of 7.8 million euros in respect of FY 2020 on May 7, 2021; this was followed in Q3 by the payment of 12.4 million euros in respect of the Neteven acquisition and 7.6 million euros for the Gemini acquisition.

At September 30, 2021, the Group's net financial debt stood at 24.9 million euros, consisting in financial debt of 139.4 million euros and available cash of 114.5 million euros.

At June 1, 2021, the acquisition price of Gerber Technology was primarily allocated to amortizable intangible assets in the provisional amount of 123.8 million euros and to goodwill in the provisional amount of 199.9 million euros.

The working capital requirement at September 30, 2021 was a negative 32.7 million euros.

3. SHARE CAPITAL – OWNERSHIP – SHARE PRICE PERFORMANCE

Change in share capital

At September 30, 2021, the share capital totaled €37,695,047, divided into 37,695,047 shares with a par value of €1.00.

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

The share capital has also increased since January 1, 2021, by the nominal amount of €183,396 (associated with a share issue premium of €2,167,231) due to the issue of 183,396 new shares resulting from the exercise of stock options.

Main shareholders

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

- Daniel Harari holds 14.6% of the capital and 14.5% of the voting rights;
- AIPCF VI LG Funding LP (United States) holds 13.3% of the capital and 13.2% of the voting rights;
- Artisan Partners Limited Partnership (United States), Kabouter Management LLC (United States), acting on behalf of investment funds that it manages, and Kempen Oranje Participaties (The Netherlands) each hold more than 5% (and less than 10%) of the capital and voting rights.

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

Treasury shares

At September 30, 2021, the Company held 0.04% of its own shares in treasury shares, solely within the framework of the liquidity agreement contracted with Exane BNP Paribas.

Share price performance and trading volumes

The Company's share price at September 30, 2021 was €33.95, up 36% compared to December 31, 2020 (€25.00). In the first nine months of 2021, it reached a low of €23.15 on January 28 and a high of €38.80 on September 9.

According to Bloomberg, 10.7 million shares were traded on all platforms in the first nine months of 2021 (12.3 million in the first nine months of 2020), including 28% on Euronext.

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

4. SIGNIFICANT POST-CLOSING EVENTS SINCE SEPTEMBER 30, 2021

No significant event has occurred.

5. FINANCIAL CALENDAR

The Q4 and fiscal year 2021 financial results will be published on February 9, 2022, after the close of trading on Euronext Paris.

6. 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. While the COVID-19 epidemic and its consequences had a very significant impact in 2020, most of the objectives of this 2020-2022 strategic roadmap remain valid, and particularly the acceleration towards Industry 4.0.

Through the decisions taken since the beginning of the health crisis, the Group has demonstrated its commitment to its social, societal and environmental responsibilities, and to the fundamental values that underlie these responsibilities.

2021 outlook and financial objectives

The 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 continues to weigh on customers' investment decisions. The improvement in the situation, which was reflected in a strong rebound in orders over the first half of the year, remains uneven and fragile.

On February 10, the Group stated its 2021 objectives, before taking into account the acquisition of Gerber Technology, namely, to achieve 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).

On July 29, the Group raised its objectives for the Lectra 2020 scope to revenues in the range of 269 to 281 million euros (+16% to +21% like-for-like) and income from operations before non-recurring items in the range of 35 to 40 million euros (+51% to +77% like-for-like). After the integration of Gerber Technology, it set itself the objectives of achieving 2021 revenues in the range of 364 to 390 million euros (+54% to +65% at actual exchange rates) and EBITDA before non-recurring items in the range of 54 to 64 million euros (+44% to +71% at actual exchange rates).

These scenarios for 2021 are based on actual exchange rates for H1, and the closing rates on June 30, 2021, particularly $1.19/€1, for H2 2021.

In light of the third quarter results, the order backlog on September 30, the evolution of exchange rates, and expected business activity through the end of the year, it is anticipated that revenues, income from operations before non-recurring items, and EBITDA before non-recurring items, both for the Lectra 2020 scope and for the scope after integration of Gerber Technology, should fall within the upper end of the revised objectives published July 29.

Financial objectives for 2022

Following the February 8, 2021, announcement of Lectra's proposal to acquire Gerber Technology, the Group reported on the 2022 financial objectives for the combined entity.

The Group has set itself the 2022 objective of returning to the level of combined revenue achieved by Lectra and Gerber Technology in 2019, which came to 482 million euros (488 million euros taking the Neteven and Gemini acquisitions into account) and generating an EBITDA margin before non-recurring items in the range of 17% to 20% by adding the expected synergies to the operational performance of the two groups.

Confidence in growth prospects for the short and medium-term

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

The Board of Directors
October 27, 2021

ADDITIONAL INFORMATION – THIRD QUARTER 2021

LECTRA 2020 SCOPE

ORDERS FOR NEW SYSTEMS – LIKE-FOR-LIKE

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

	Three Months Ended September 30						
	2021			2020		Changes 2021/2020	
(in thousands of euros)	Actual	%	At 2020 exchange rates	Actual	%	Actual	Like-for-like
Perpetual software licenses	1,263	4%	1,259	1,945	9%	-35%	-35%
Equipment and accompanying software	23,890	84%	23,699	16,084	78%	+49%	+47%
Training and consulting services	2,653	9%	2,651	2,286	11%	+16%	+16%
Miscellaneous	500	2%	499	381	2%	+31%	+31%
Total	28,305	100%	28,109	20,696	100%	+37%	+36%
€ / $ average parity	*1.18*		*1.17*	*1.17*			

New software subscriptions

	Three Months Ended September 30						
	2021			2020		Changes 2021/2020	
(in thousands of euros)	Actual	%	At 2020 exchange rates	Actual	%	Actual	Like-for-like
Annual value of new software subscriptions	1,593	na	1,591	802	na	+99%	+98%
€ / $ average parity	*1.18*		*1.17*	*1.17*			

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

	Three Months Ended September 30						
	2021			2020		Changes 2021/2020	
(in thousands of euros)	Actual	%	At 2020 exchange rates	Actual	%	Actual	Like-for-like
Europe, of which:	27,322	39%	27,266	23,624	42%	+16%	+15%
- France	4,687	7%	4,687	4,516	8%	+4%	+4%
Americas	16,833	24%	16,882	14,048	25%	+20%	+20%
Asia-Pacific	21,559	31%	21,164	14,839	26%	+45%	+43%
Other countries	4,045	6%	3,930	4,023	7%	+1%	-2%
Total	69,759	100%	69,242	56,533	100%	+23%	+22%
€ / $ average parity	*1.18*		*1.17*	*1.17*			

Revenues by type of business

	Three Months Ended September 30						
	2021			2020		Changes 2021/2020	
(in thousands of euros)	Actual	%	At 2020 exchange rates	Actual	%	Actual	Like-for-like
Revenues from perpetual software licenses, equipment and accompanying software, and non-recurring services, of which:	27,436	39%	27,168	16,589	29%	+65%	+64%
- Perpetual software licenses	1,469	2%	1,459	1,556	3%	-6%	-6%
- Equipment and accompanying software	22,807	33%	22,562	12,313	22%	+85%	+83%
- Training and consulting services	2,661	4%	2,647	2,339	4%	+14%	+13%
- Miscellaneous	500	1%	499	381	1%	+31%	+31%
Recurring revenues, of which:	42,323	61%	42,075	39,944	71%	+6%	+5%
- Software subscriptions	2,040	3%	2,035	953	2%	+114%	+114%
- Software maintenance contracts	8,922	13%	8,882	9,171	16%	-3%	-3%
- Equipment and accompanying software maintenance contracts	14,849	21%	14,756	14,446	26%	+3%	+2%
- Consumables and parts	16,512	24%	16,402	15,375	27%	+7%	+7%
Total	69,759	100%	69,242	56,533	100%	+23%	+22%
€ / $ average parity	*1.18*		*1.17*	*1.17*			

CONSOLIDATED INCOME STATEMENT – LIKE-FOR-LIKE

LECTRA 2020 SCOPE

	Three Months Ended September 30				
	2021		2020	Changes 2021/2020	
(in thousands of euros)	Actual	At 2020 exchange rates	Actual	Actual	Like-for-like
Revenues	69,759	69,242	56,533	+23%	+22%
Cost of goods sold	(19,024)	(19,012)	(14,085)	+35%	+35%
Gross profit	50,735	50,231	42,448	+20%	+18%
(in % of revenues)	72.7%	72.5%	75.1%	-2.4 points	-2.6 points
Research and development	(5,866)	(5,866)	(4,540)	+29%	+29%
Selling, general and administrative expenses	(32,990)	(32,867)	(29,402)	+12%	+12%
Income from operations before non-recurring items	11,879	11,497	8,506	+40%	+35%
(in % of revenues)	17.0%	16.6%	15.0%	+2.0 points	+1.6 points
Non-recurring expenses	(1,614)	(1,614)	-	na	na
Income from operations	10,265	9,884	8,506	+21%	na
(in % of revenues)	14.7%	14.3%	15.0%	-0.3 points	na
Income before tax	9,812	9,431	8,439	+16%	na
Income tax	(2,175)	na	(1,862)	+17%	na
Net income	**7,637**	**na**	**6,577**	**+16%**	**na**
of which, Group share	**7,646**	**na**	**6,560**	**+17%**	**na**
of which, Non-controlling interests	(9)	na	17	na	na
Income from operations before non-recurring items	11,879	11,497	8,506	+40%	+35%
+ Net depreciation and amortization of non-current assets	2,904	2,898	2,919	-1%	-1%
EBITDA before non-recurring items	14,783	14,395	11,425	+29%	+26%
(in % of revenues)	21.2%	20.8%	20.2%	+1.0 point	+0.6 points
€ / $ average parity	*1.18*	*1.17*	*1.17*		

ADDITIONAL INFORMATION – FIRST NINE MONTHS 2021

LECTRA 2020 SCOPE

ORDERS FOR NEW SYSTEMS – LIKE-FOR-LIKE

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

1.1. by product line

	Nine Months Ended September 30						
	2021			2020		Changes 2021/2020	
(in thousands of euros)	Actual	%	At 2020 exchange rates	Actual	%	Actual	Like-for-like
Perpetual software licenses	4,990	6%	5,098	5,676	10%	-12%	-10%
Equipment and accompanying software	69,827	82%	71,482	41,646	76%	+68%	+72%
Training and consulting services	8,666	10%	8,796	6,492	12%	+34%	+36%
Miscellaneous	1,405	2%	1,418	1,126	2%	+25%	+26%
Total	84,888	100%	86,795	54,939	100%	+55%	+58%
€ / $ average parity	*1.20*		*1.12*	*1.12*			

1.2. by region

	Nine Months Ended September 30						
	2021			2020		Changes 2021/2020	
(in thousands of euros)	Actual	%	At 2020 exchange rates	Actual	%	Actual	Like-for-like
Europe	28,577	34%	28,565	22,601	41%	+26%	+26%
Americas	19,374	23%	20,585	11,629	21%	+67%	+77%
Asia-Pacific	33,008	39%	33,773	16,893	31%	+95%	+100%
Other countries	3,930	5%	3,871	3,817	7%	+3%	+1%
Total	84,888	100%	86,795	54,939	100%	+55%	+58%
€ / $ average parity	*1.20*		*1.12*	*1.12*			

1.3. by market

	Nine Months Ended September 30						
	2021			2020		Changes 2021/2020	
(in thousands of euros)	Actual	%	At 2020 exchange rates	Actual	%	Actual	Like-for-like
Fashion	36,523	43%	37,474	27,675	50%	+32%	+35%
Automotive	28,945	34%	29,611	15,244	28%	+90%	+94%
Furniture	15,859	19%	16,079	9,359	17%	+69%	+72%
Other industries	3,562	4%	3,631	2,660	5%	+34%	+36%
Total	84,888	100%	86,795	54,939	100%	+55%	+58%
€ / $ average parity	*1.20*		*1.12*	*1.12*			

2. New software subscriptions

	Nine Months Ended September 30						
	2021			2020		Changes 2021/2020	
(in thousands of euros)	Réel	%	At 2020 exchange rates	Actual	%	Actual	Like-for-like
Annual value of new software subscriptions	4,313	na	4,359	1,767	na	+144%	+147%
€ / $ average parity	*1.20*		*1.12*	*1.12*			

BREAKDOWN OF REVENUES – LIKE-FOR-LIKE

LECTRA 2020 SCOPE

Revenues by region

	Nine Months Ended September 30						
	2021			2020		Changes 2021/2020	
(in thousands of euros)	Actual	%	At 2020 exchange rates	Actual	%	Actual	Like-for-like
Europe, of which:	79,266	39%	79,329	73,235	43%	+8%	+8%
- France	13,745	7%	13,737	12,115	7%	+13%	+13%
Americas	51,135	25%	54,462	44,503	26%	+15%	+22%
Asia-Pacific	59,633	30%	60,927	40,722	24%	+46%	+50%
Other countries	12,890	6%	12,790	12,109	7%	+6%	+6%
Total	202,924	100%	207,508	170,568	100%	+19%	+22%
€ / $ average parity	*1.20*		*1.12*	*1.12*			

Revenues by type of business

	Nine Months Ended September 30						
	2021			2020		Changes 2021/2020	
(in thousands of euros)	Actual	%	At 2020 exchange rates	Actual	%	Actual	Like-for-like
Revenues from perpetual software licenses, equipment and accompanying software, and non-recurring services, of which:	76,630	38%	78,369	54,429	32%	+41%	+44%
- Perpetual software licenses	5,063	2%	5,155	5,757	3%	-12%	-10%
- Equipment and accompanying software	62,204	31%	63,710	40,116	24%	+55%	+59%
- Training and consulting services	7,958	4%	8,085	7,430	4%	+7%	+9%
- Miscellaneous	1,405	1%	1,418	1,126	1%	+25%	+26%
Recurring revenues, of which:	126,294	62%	129,139	116,139	68%	+9%	+11%
- Software subscriptions	5,111	3%	5,166	2,525	1%	+102%	+105%
- Software maintenance contracts	26,697	13%	26,991	28,176	17%	-5%	-4%
- Equipment and accompanying software maintenance contracts	43,968	22%	45,084	43,802	26%	0%	+3%
- Consumables and parts	50,518	25%	51,899	41,637	24%	+21%	+25%
Total	202,924	100%	207,508	170,568	100%	+19%	+22%
€ / $ average parity	*1.20*		*1.12*	*1.12*			

CONSOLIDATED INCOME STATEMENT – LIKE-FOR-LIKE

LECTRA 2020 SCOPE

	Nine Months Ended September 30				
	2021		2020	Changes 2021/2020	
(in thousands of euros)	Actual	At 2020 exchange rates	Actual	Actual	Like-for-like
Revenues	202,924	207,508	170,568	+19%	+22%
Cost of goods sold	(54,813)	(55,314)	(42,045)	+30%	+32%
Gross profit	148,111	152,194	128,523	+15%	+18%
(in % of revenues)	73.0%	73.3%	75.3%	-2.3 points	-2.0 points
Research and development	(18,443)	(18,443)	(16,569)	+11%	+11%
Selling, general and administrative expenses	(101,635)	(102,955)	(96,349)	+5%	+7%
Income from operations before non-recurring items	28,033	30,796	15,605	+80%	+97%
(in % of revenues)	13.8%	14.8%	9.1%	+4.7 points	+5.7 points
Non-recurring expenses	(6,253)	(6,253)	-	na	na
Income from operations	21,780	24,543	15,605	+40%	na
(in % of revenues)	10.7%	11.8%	9.1%	+1.6 points	na
Income before tax	21,198	23,961	14,750	+44%	na
Income tax	(4,431)	na	(3,724)	+19%	na
Net income	**16,767**	**na**	**11,027**	**+52%**	**na**
of which, Group share	**16,678**	**na**	**11,025**	**+51%**	**na**
of which, Non-controlling interests	89	na	2	na	na
Income from operations before non-recurring items	28,033	30,796	15,605	+80%	+97%
+ Net depreciation and amortization of non-current assets	8,742	8,842	8,755	0%	+1%
EBITDA before non-recurring items	36,775	39,637	24,360	+51%	+63%
(in % of revenues)	18.1%	19.1%	14.3%	+3.8 points	+4.8 points
€ / $ average parity	*1.20*	*1.12*	*1.12*		

ADDITIONAL INFORMATION – THIRD QUARTER 2021

LECTRA 2021 SCOPE, WHICH INCLUDES THREE MONTHS OF GERBER TECHNOLOGY AND TWO MONTHS OF NETEVEN

BREAKDOWN OF REVENUES – ACTUAL

Revenues by type of business

	Three Months Ended September 30							
	2021						2020	Changes 2021/2020
(in thousands of euros)	Lectra 2020 scope	%	2021 Acquisitions (1)	%	**Lectra 2021 scope**	%	**Lectra 2020 scope**	Actual
Revenues from perpetual software licenses, equipment and accompanying software, and non-recurring services, of which:	27,436	39%	18,699	41%	**46,136**	40%	**16,589**	+178%
- Perpetual software licenses	1,469	2%	1,865	4%	3,334	3%	1,556	+114%
- Equipment and accompanying software	22,807	33%	15,472	34%	38,279	33%	12,313	+211%
- Training and consulting services	2,661	4%	579	1%	3,239	3%	2,339	+38%
- Miscellaneous	500	1%	784	2%	1,283	1%	381	+237%
Recurring revenues, of which:	42,323	61%	26,859	59%	**69,182**	60%	**39,944**	+73%
- Software subscriptions	2,040	3%	1,109	2%	3,149	3%	953	+231%
- Software maintenance contracts	8,922	13%	3,560	8%	12,482	11%	9,171	+36%
- Equipment and accompanying software maintenance contracts	14,849	21%	6,534	14%	21,382	19%	14,446	+48%
- Consumables and parts	16,512	24%	15,657	34%	32,169	28%	15,375	+109%
Total	69,759	100%	45,559	100%	**115,318**	100%	**56,533**	+104%
€ / $ average parity	*1.18*		*1.18*		*1.18*		*1.17*	

(1) Gerber Technology and Neteven contributed 45,083 thousand euros and 476 thousand euros to revenues, respectively.

CONSOLIDATED INCOME STATEMENT – ACTUAL

	Three Months Ended September 30				
	2021			2020	Changes 2021/2020
(in thousands of euros)	Lectra 2020 scope	2021 Acquisitions (1)	**Lectra 2021 scope**	**Lectra 2020 scope**	Actual
Revenues	69,759	45,559	115,318	56,533	+104%
Cost of goods sold	(19,024)	(21,527)	(40,551)	(14,085)	+188%
Gross profit	50,735	24,032	74,767	42,448	+76%
(in % of revenues)	72.7%	52.7%	64.8%	75.1%	-10.3 points
Research and development	(5,866)	(3,380)	(9,246)	(4,540)	+104%
Selling, general and administrative expenses	(32,990)	(19,091)	(52,081)	(29,402)	+77%
Income from operations before non-recurring items	11,879	1,561	13,439	8,506	+58%
(in % of revenues)	17.0%	3.4%	11.7%	15.0%	-3.3 points
Non-recurring expenses	(1,614)	(2)	(1,616)	-	na
Income from operations	10,265	1,558	11,824	8,506	+39%
(in % of revenues)	14.7%	3.4%	10.3%	15.0%	-4.7 points
Income before tax	9,812	1,092	10,904	8,439	+29%
Income tax	(2,175)	(836)	(3,011)	(1,862)	+62%
Net income	**7,637**	**256**	**7,893**	**6,577**	**+20%**
of which, Group share	**7,646**	**266**	**7,912**	**6,560**	**na**
of which, Non-controlling interests	(9)	(10)	(19)	17	na
Income from operations before non-recurring items	11,879	1,561	13,439	8,506	+58%
+ Net depreciation and amortization of non-current assets	2,904	3,797	6,701	2,919	+130%
EBITDA before non-recurring items	14,783	5,358	20,140	11,425	+76%
(in % of revenues)	21.2%	11.8%	17.5%	20.2%	-2.7 points
€ / $ average parity	*1.18*	*1.18*	*1.18*	*1.17*	

(1) Gerber Technology contributed 45,083 thousand euros to revenues and 5,340 thousand euros to EBITDA before non-recurring items. Neteven contributed 476 thousand euros to revenues and 18 thousand euros to EBITDA before non-recurring items.

ADDITIONAL INFORMATION – FIRST NINE MONTHS 2021

LECTRA 2021 SCOPE, WHICH INCLUDES FOUR MONTHS OF GERBER TECHNOLOGY AND TWO MONTHS OF NETEVEN

BREAKDOWN OF REVENUES – ACTUAL

Revenues by type of business

	Nine Months Ended September 30							
	2021						2020	Changes 2021/2020
(in thousands of euros)	Lectra 2020 scope	%	2021 Acquisitions [1]	%	**Lectra 2021 scope**	%	**Lectra 2020 scope**	Actual
Revenues from perpetual software licenses, equipment and accompanying software, and non-recurring services, of which:	76,630	38%	23,815	40%	**100,445**	38%	**54,429**	+85%
- Perpetual software licenses	5,063	2%	2,406	4%	7,469	3%	5,757	+30%
- Equipment and accompanying software	62,204	31%	19,603	33%	81,807	31%	40,116	+104%
- Training and consulting services	7,958	4%	800	1%	8,758	3%	7,430	+18%
- Miscellaneous	1,405	1%	1,006	2%	2,411	1%	1,126	+114%
Recurring revenues, of which:	126,294	62%	35,290	60%	**161,584**	62%	**116,139**	+39%
- Software subscriptions	5,111	3%	1,315	2%	6,426	2%	2,525	+155%
- Software maintenance contracts	26,697	13%	4,734	8%	31,431	12%	28,176	+12%
- Equipment and accompanying software maintenance contracts	43,968	22%	8,634	15%	52,602	20%	43,802	+20%
- Consumables and parts	50,518	25%	20,607	35%	71,125	27%	41,637	+71%
Total	202,924	100%	59,105	100%	**262,029**	100%	**170,568**	+54%
€ / $ average parity	*1.20*		*1.19*		*1.20*		*1.12*	

(1) Gerber Technology and Neteven contributed 58,629 thousand euros and 476 thousand euros to revenues, respectively.

CONSOLIDATED INCOME STATEMENT – ACTUAL

	Nine Months Ended September 30				
	2021			2020	Changes 2021/2020
(in thousands of euros)	Lectra 2020 scope	2021 Acquisitions [1]	**Lectra 2021 scope**	**Lectra 2020 scope**	Actual
Revenues	202,924	59,105	262,029	170,568	+54%
Cost of goods sold	(54,813)	(27,762)	(82,575)	(42,045)	+96%
Gross profit	148,111	31,343	179,453	128,523	+40%
(in % of revenues)	73.0%	53.0%	68.5%	75.3%	-6.8 points
Research and development	(18,443)	(4,391)	(22,834)	(16,569)	+38%
Selling, general and administrative expenses	(101,635)	(25,376)	(127,011)	(96,349)	+32%
Income from operations before non-recurring items	28,033	1,575	29,608	15,605	+90%
(in % of revenues)	13.8%	2.7%	11.3%	9.1%	+2.2 points
Non-recurring expenses	(6,253)	(127)	(6,380)	-	na
Income from operations	21,780	1,448	23,228	15,605	+49%
(in % of revenues)	10.7%	2.4%	8.9%	9.1%	-0.2 points
Income before tax	21,198	954	22,152	14,750	+50%
Income tax	(4,431)	(903)	(5,334)	(3,724)	+43%
Net income	**16,767**	**51**	**16,818**	**11,027**	**+53%**
of which, Group share	**16,678**	**61**	**16,739**	**11,025**	**52%**
of which, Non-controlling interests	89	(10)	79	2	na
Income from operations before non-recurring items	28,033	1,575	29,608	15,605	+90%
+ Net depreciation and amortization of non-current assets	8,742	5,009	13,751	8,755	+57%
EBITDA before non-recurring items	36,775	6,584	43,359	24,360	+78%
(in % of revenues)	18.1%	11.1%	16.5%	14.3%	+2.2 points
€ / $ average parity	*1.20*	*1.19*	*1.20*	*1.12*	

(1) Gerber Technology contributed 58,629 thousand euros to revenues and 6,566 thousand euros to EBITDA before non-recurring items. Neteven contributed 476 thousand euros to revenues and 18 thousand euros to EBITDA before non-recurring items.

Company certification of the first nine months of 2021 report

We certify that, to our knowledge, the first nine months 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 nine months report on operations presents a true and sincere view of the significant events that occurred during the first nine months of the fiscal year and their impact on the financial statements, and a description of the main risks and uncertainties for the coming three months.

Paris, October 27, 2021

Daniel Harari
Chairman and Chief Executive Officer

Olivier du Chesnay
Chief Financial Officer

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

(in thousands of euros)	September 30, 2021 [(1)]	December 31, 2020	September 30, 2020
Goodwill	274,322	46,528	46,891
Other intangible assets	137,270	4,665	4,453
Leasing rights-of-use	29,512	15,429	15,833
Property, plant and equipment	27,788	25,067	25,770
Other non-current assets	24,618	20,992	19,906
Deferred tax assets	8,245	7,950	8,064
Total non-current assets	501,755	120,631	120,917
Inventories	53,940	29,519	29,183
Trade accounts receivable	69,114	43,009	36,641
Other current assets	18,482	13,076	12,530
Cash and cash equivalents	114,486	134,626	117,932
Total current assets	256,022	220,230	196,286
Total assets	**757,777**	**340,861**	**317,203**

EQUITY AND LIABILITIES

(in thousands of euros)	September 30, 2021 [(1)]	December 31, 2020	September 30, 2020
Share capital	37,695	32,512	32,346
Share premium	138,881	19,387	17,680
Treasury shares	(535)	(343)	(373)
Currency translation adjustments	6,302	(11,293)	(10,544)
Retained earnings and net income	196,246	151,750	144,245
Non-controlling interests	1,582	160	113
Total equity	380,171	192,173	183,467
Retirement benefit obligations	12,161	11,995	11,240
Non-current lease liabilities	26,962	10,434	10,941
Minority shares purchase commitment	9,500	2,165	2,973
Borrowings, non-current portion	118,255	-	-
Total non-current liabilities	166,878	24,594	25,154
Trade and other current payables	101,305	53,657	43,492
Deferred revenues	68,236	56,690	50,881
Current income tax liabilities	4,730	2,958	2,968
Current lease liabilities	8,842	5,411	5,422
Minority shares purchase commitment	2,464	2,332	2,652
Borrowings, current portion	21,099	-	-
Provisions for other liabilities and charges	4,052	3,046	3,167
Total current liabilities	210,728	124,094	108,582
Total equity and liabilities	**757,777**	**340,861**	**317,203**

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

CONSOLIDATED INCOME STATEMENT

(in thousands of euros)	Nine months ended September 30, 2021[1]	Nine months ended September 30, 2020
Revenues	262,029	170,568
Cost of goods sold	(82,575)	(42,045)
Gross profit	179,453	128,523
Research and development	(22,834)	(16,569)
Selling, general and administrative expenses	(127,011)	(96,349)
Income from operations before non-recurring items	29,608	15,605
Non-recurring expenses[2]	(6,380)	-
Income from operations	23,228	15,605
Financial income	450	107
Financial expenses	(1,232)	(390)
Foreign exchange income (loss)	(294)	(571)
Income before tax	22,152	14,750
Income tax	(5,334)	(3,724)
Net income	**16,818**	**11,027**
of which, Group share	**16,739**	**11,025**
of which, Non-controlling interests	79	2

(in euros)		
Earnings per share, Group share:		
- basic	0.48	0.34
- diluted	0.47	0.34
Shares used in calculating earnings per share[3]:		
- basic	34,810,970	32,171,847
- diluted	35,279,826	32,419,678

(in thousands of euros)		
Income from operations before non-recurring items	29,608	15,605
+ Net depreciation and amortization of non-current assets	13,751	8,755
EBITDA before non-recurring items	43,359	24,360

STATEMENT OF COMPREHENSIVE INCOME, GROUP SHARE [4]

(in thousands of euros)	Nine months ended September 30, 2021[1]	Nine months ended September 30, 2020
Net income, Group share	16,739	11,025
Currency translation adjustments	17,440	(887)
Tax effect	154	(175)
Other comprehensive income to be reclassified in net income	17,595	(1,062)
Remeasurement of the net liability arising from defined benefits pension plans	762	279
Tax effect	(203)	(78)
Other comprehensive income not to be reclassified in net income	559	201
Total other comprehensive income	18,154	(861)
Comprehensive income, Group share	**34,893**	**10,164**

(1) The 2021 amounts integrate Gerber Technology, Neteven and Gemini CAD Systems (see note 3 hereafter).
(2) This amount corresponds to fees and other costs relating to the acquisition of Gerber Technology (see note 3 hereafter).
(3) The 5 million Lectra shares issued on June 1, 2021 for the acquisition of Gerber Technology have been included pro-rata temporis when determining the number of shares to use in the calculation of the earnings per share.
(4) The Group considered as non-material the information regarding the comprehensive income of the non-controlling interests (see note 3 hereafter) and thus only presents the comprehensive income of the Group share.

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of euros)	Nine months ended September 30, 2021 [1]	Nine months ended September 30, 2020
I - OPERATING ACTIVITIES		
Net income	16,818	11,027
Net depreciation and amortization (non-current assets)	13,751	8,755
Net depreciation and provisions (current assets)	1,230	3,080
Non-cash operating expenses	386	424
Loss (profit) on sale of fixed assets	(22)	-
Changes in deferred income taxes	761	(12)
Changes in inventories	(7,186)	201
Changes in trade accounts receivable	3,685	12,654
Changes in other current assets and liabilities	12,866	(11,297)
Changes in other operating non-current assets	(6,171)	(6,716)
Net cash provided by (used in) operating activities	36,118	18,117
II - INVESTING ACTIVITIES		
Purchases of intangible assets	(1,778)	(1,547)
Purchases of property, plant and equipment	(1,729)	(1,766)
Proceeds from sales of intangible and tangible assets	42	23
Acquisition cost of companies purchased [2]	(181,045)	-
Purchases of financial assets [3]	(7,083)	(4,120)
Proceeds from sales of financial assets [3]	6,982	3,579
Net cash provided by (used in) investing activities	(184,611)	(3,831)
III - FINANCING ACTIVITIES		
Proceeds from issuance of ordinary shares	2,177	2,125
Dividend paid	(7,820)	(12,844)
Change in share of interests in controlled entities [4]	(1,363)	(876)
Purchases of treasury shares	(6,882)	(3,556)
Sales of treasury shares	6,961	3,830
Repayment of lease liabilities	(5,755)	(4,318)
Proceeds from long term and short term borrowings	139,214	-
Net cash provided by (used in) financing activities	126,532	(15,638)
Increase (decrease) in cash and cash equivalents	**(21,961)**	**(1,352)**
Cash and cash equivalents at opening	134,626	120,558
Increase (decrease) in cash and cash equivalents	(21,961)	(1,352)
Effect of changes in foreign exchange rates	1,821	(1,274)
Cash and cash equivalents at closing	114,486	117,932
Net cash provided by (used in) operating activities	36,118	18,117
+ Net cash provided by (used in) investing activities	(184,611)	(3,831)
- Acquisition cost of companies purchased	181,045	-
- Repayment of lease liabilities	(5,755)	(4,318)
Free cash flow before non-recurring items	26,797	9,968
Non-recurring items of the free cash flow	(6,782)	-
Free cash flow	33,579	9,968
Income tax (paid) / reimbursed, net	(2,813)	(3,703)
Interest paid on lease liabilities	(152)	(121)
Interest paid	(304)	-

(1) The 2021 amounts integrate Gerber Technology, Neteven and Gemini CAD Systems (see note 3 hereafter).
(2) In 2021, this amount corresponds to the acquisition cost, net of cash acquired, of Gerber Technology, Neteven and Gemini CAD Systems (see note 3 hereafter).
(3) These amounts mainly correspond to the valuation of purchases and sales of treasury shares made through the liquidity agreement, and for which the counterpart is shown in the corresponding cash flows arising from financing activities.
(4) These amounts correspond to the staggered purchases of additional 10% of Retviews, performed between July 2020 and July 2021 (see note 3 hereafter).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in thousands of euros, except for par value per share expressed in euros)	Share capital: Number of shares	Share capital: Par value per share	Share capital: Share capital	Share premium	Treasury shares	Currency translation adjustments	Retained earnings and net income	**Equity, Group share**	Non controlling interests	**Total equity**
Balance at January 1, 2020	32,099,100	1.00	32,099	15,802	(698)	(9,481)	145,141	182,863	159	183,022
Net income							11,025	11,025	2	11,027
Other comprehensive income						(1,062)	201	(861)		(861)
Comprehensive income						(1,062)	11,226	10,164	2	10,166
Exercised stock options	247,321	1.00	247	1,877				2,125		2,125
Fair value of stock options							706	706		706
Sale (purchase) of treasury shares					325			325		325
Profit (loss) on treasury shares							(34)	(34)		(34)
Minority shares purchase for Retviews (1)							48	48	(48)	0
Dividend paid							(12,844)	(12,844)		(12,844)
Balance at September 30, 2020	32,346,421	1.00	32,346	17,680	(373)	(10,544)	144,245	183,354	113	183,467
Balance at January 1, 2020	32,099,100	1.00	32,099	15,802	(698)	(9,481)	145,141	182,863	159	183,022
Net income							17,529	17,529	49	17,578
Other comprehensive income						(1,812)	(232)	(2,044)		(2,044)
Comprehensive income						(1,812)	17,297	15,485	49	15,534
Exercised stock options	412,551	1.00	413	3,585				3,998		3,998
Fair value of stock options							955	955		955
Sale (purchase) of treasury shares					355			355		355
Profit (loss) on treasury shares							29	29		29
Minority shares purchase for Retviews (1)							1,172	1,172	(48)	1,124
Dividend paid							(12,844)	(12,844)		(12,844)
Balance at December 31, 2020	32,511,651	1.00	32,512	19,387	(343)	(11,293)	151,750	192,013	160	192,173
Net income							16,739	16,739	79	16,818
Other comprehensive income						17,595	559	18,154		18,154
Comprehensive income						17,595	17,299	34,893	79	34,972
Exercised stock options	183,396	1.00	183	1,994				2,177		2,177
Shares issued to purchase Gerber Technology (2)	5,000,000	1.00	5,000	117,500			42,750	165,250		165,250
Fair value of stock options							762	762		762
Sale (purchase) of treasury shares					(192)			(192)		(192)
Profit (loss) on treasury shares							204	204		204
Minority shares purchase for Retviews (1)							799	799	(129)	670
Integration of Neteven and Gemini and minority shares purchase commitment(3)							(9,500)	(9,500)	1,473	(8,027)
Dividend paid							(7,820)	(7,820)		(7,820)
Balance at September 30, 2021	**37,695,047**	**1.00**	**37,695**	**138,881**	**(535)**	**6,302**	**196,246**	**378,589**	**1,582**	**380,171**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT SEPTEMBER 30, 2021

1. BUSINESS ACTIVITY

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

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

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

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

Business model

Lectra's business model is based on three pillars:

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

Worldwide presence

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

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

Lectra welcomes customers from around the world in its International Advanced Technology & Conference Centers in Bordeaux-Cestas (France), Atlanta (USA), New York (USA) and Shanghai (China). The Group has seven international Call Centers, based in Bordeaux-Cestas (France), Madrid (Spain), Milan (Italy), Porto (Portugal), Atlanta (USA), Tolland (USA) and Shanghai (China).

Customers

From global corporations to smaller national companies, Lectra's customers are, for the most part, fashion brands, manufacturers and retailers, automotive equipment manufacturers and subcontractors, and upholstered 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 Technology 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 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 September 30, 2021, 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 2020, 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 2020 financial statements. They have been prepared under the responsibility of the Board of Directors at its meeting of October 27, 2021 and have not been subjected to a limited review 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, 2021 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, 2021.

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. 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' 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 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 is spread over the duration of the customer's commitment.

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

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

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

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

Cost of goods sold

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

Cost of goods sold does not include salaries and expenses associated with service revenues, which are included under 'Selling, General and Administrative Expenses'.

Research and development costs

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

The French research tax credit *(crédit d'impôt recherche)*, 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.

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 September 30, 2021, the Group's scope of consolidation comprised the parent company, Lectra SA, together with 58 fully-consolidated companies, 25 of which come from the acquisition of Gerber Technology.

Acquisition of Gemini CAD Systems (Gemini)

On September 6, 2021, the Group announced the acquisition of the Romanian company Gemini (see chapter 1 of this Financial Report).

The transaction involved the immediate 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 will take place in two installments in September 2024 and September 2026, and will bring the total cost of the acquisition between 13 and 20 million euros.

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

- Goodwill recorded for an amount of 6.1 million euros;
- Non-controlling interests recorded for an amount of 1 million euros, measured at their proportionate share in the net assets acquired (using the "partial goodwill method");
- A debt to recognize the minority shares purchase commitment, measured at fair value, recorded for a total amount of 7 million euros (classified as non-current liabilities). The counterpart is recorded in 'Equity, Group share'.

The acquisition cost for Lectra has been entirely disclosed under the heading 'Acquisition cost of companies purchased' in the statement of cash flows, net of cash acquired, for an amount of 7 million euros.

Gemini has been fully consolidated since September 27, 2021.

Acquisition of Neteven

On June 24, 2021, the Group announced the acquisition of the French company Neteven (see chapter 1 of this Financial Report).

The transaction involved the immediate acquisition of 80% of the capital and voting rights of Neteven for 12.4 million euros. The acquisition of the remaining capital and voting rights will take place in June 2025 for an amount between 0.6 and 0.9 times the 2024 recurring revenues.

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

- Goodwill recorded for an amount of 10.6 million euros;
- Non-controlling interests recorded for an amount of 0.5 million euros, measured at their proportionate share in the net assets acquired (using the "partial goodwill method");
- A debt to recognize the minority shares purchase commitment, measured at fair value, recorded for a total amount of 2.5 million euros (classified as non-current liabilities). The counterpart is recorded in 'Equity, Group share'.

The acquisition cost for Lectra has been entirely disclosed under the heading 'Acquisition cost of companies purchased' in the statement of cash flows, net of cash acquired, for an amount of 11.6 million euros.

Neteven has been fully consolidated since July 28, 2021.

Acquisition of Gerber Technology

On June 1, 2021, Lectra finalized the acquisition of all outstanding shares of Gerber Technology, for 175 million euros – financed through a 140-million-euro loan and the Group's available cash – plus 5 million newly issued Lectra shares to AIPCF VI LG Funding LP, Gerber Technology'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 and will be reviewed in the future.

The net amount of assets acquired and liabilities assumed was 140.4 million euros at June 1, 2021.

This amount included in particular:

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

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

ASSETS

(in thousands of euros)	Amounts at June 1, 2021	*of which, intangible assets*	*of which, lease agreements*
Intangible assets	124,967	123,760	-
Leasing rights-of-use	15,942	-	15,942
Property, plant and equipment	4,326	-	-
Other non-current assets	2,133	-	-
Deferred tax assets	976	-	-
Total non-current assets	148,344	123,760	15,942
Inventories	17,258	-	-
Trade accounts receivable	29,575	-	-
Other current assets	3,390	-	(170)
Cash and cash equivalents	15,030	-	-
Total current assets	65,253	-	(170)
Total assets acquired	**213,597**	**123,760**	**15,772**

LIABILITIES

(in thousands of euros)	Amounts at June 1, 2021	*of which, intangible assets*	*of which, lease agreements*
Retirement benefit obligations	615	-	-
Non-current lease liabilities	18,015	-	18,015
Borrowings, non-current portion	-	-	-
Total non-current liabilities	18,630	-	18,015
Trade and other current payables	37,450	-	(2,186)
Deferred revenues	12,253	-	-
Current income tax liabilities	624	-	-
Current lease liabilities	3,642	-	3,642
Borrowings, current portion	-	-	-
Provisions for other liabilities and charges	631	-	186
Total current liabilities	54,600	-	1,642
Total liabilities assumed	**73,230**	**-**	**19,657**
Net assets and liabilities	**140,367**		

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

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

Since Lectra acquired on June 1, 2021 all outstanding Gerber Technology shares for five million newly issued shares, at a share price of 33.05€, and 175 million euros in cash, the initial goodwill amounted to 199.9 million euros:

(in thousands of euros)	June 1, 2021
Net amount of assets acquired and liabilities assumed	140,367
Non-controlling interests	-
Acquisition price	340,250
Provisional goodwill valuation	**199,883**

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

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

Transaction costs

The transaction costs relating to this acquisition under IFRS 3 (mainly fees from the legal, tax and financial counsels) have been accounted for within the "Non-recurring expenses" in the income statement since Q4 2020, and amounted to a total 3.8 million euros.

Pro forma information

From June 1 (acquisition date) to September 30, 2021, Gerber Technology reported 58.6 million euros in revenues and 6.6 million euros in EBITDA before non-recurring items.

If Lectra had completed the acquisition on January 1, 2021, Gerber Technology would have reported revenues for the first nine months of 2021 of 162.2 million US dollars (approximately 135.6 million euros) and EBITDA before non-recurring items of 18 million US dollars (approximately 15.1 million euros).

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

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

(in thousands of euros)	Nine months ended September 30, 2021
Gerber Technology debt repaid by Lectra	(175,000)
Gerber Technology cash acquired	12,587
Total acquisition cost in CFS	**(162,413)**

Acquisition of Retviews

In July 2019, the Group purchased the Belgian company Retviews and its Romanian subsidiary Retviews Bucharest SRL. The transaction involved the immediate acquisition of 70% of the capital and voting rights of Retviews for 8 million euros. As initially planned, Lectra acquired in July 2020 an additional 10% of Retviews, for an amount of 1 million euros: 0.9 million euros paid out in July 2020 and the remainder in January 2021.

Similarly, Lectra acquired in July 2021 another additional 10% of Retviews, for an amount between 1.2 and 1.5 million euros: 1.2 million euros paid out in July 2022 and the remainder in January 2022.

The acquisition of the remaining capital and voting rights will take place in July 2022 for the amounts of about 0.5 times 2022 revenues. According to IAS 7, the payments appear in the statement of cash-flows, within the financing activities, under the caption “Change in share of interests in controlled entities”.

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

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

There was no other change in the scope of consolidation during the first nine months of 2021, nor in 2020.

Non-consolidated entities

Three sales and service subsidiaries are not consolidated, their revenues being immaterial both separately and combined. At September 30, 2021, their combined revenues totaled 0.7 million euros, and their combined assets totaled 3 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 September 30, 2021.

4. OPERATING SEGMENTS INFORMATION

Nine months ended September 30, 2021 (in thousands of euros)	Northern Europe(1)	Southern Europe(2)	Americas	Asia-Pacific	Corporate	2021 Acquisitions	Total
Revenues	36,772	52,891	51,135	62,126	-	59,105	262,029
Income (loss) from operations before non-recurring items	3,538	9,266	8,074	4,467	2,688	1,575	29,608

Nine months ended September 30, 2020 (3) (in thousands of euros)	Northern Europe(1)	Southern Europe(2)	Americas	Asia-Pacific	Corporate	2021 Acquisitions	Total
Revenues	36,622	46,696	44,503	42,747	-	-	170,568
Income (loss) from operations before non-recurring items	3,487	6,989	5,794	1,797	(2,462)	-	15,605

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

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

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

As the acquisition of Gerber Technology took place on June 1, 2021, and Neteven on July 28, 2021 (and as the acquisition of Gemini has had no impact on the Group’s income statement to date), the Group considers for the time being that their activities make up an operating segment on their own, in addition to the five already existing.

For Lectra’s legacy activities, the standard gross profit margins used to determine the performance of operating segments have been changed from January 1, 2021, to take into account the change of the cost structure resulting from the implementation of the Group’s 2020-2022 roadmap. This new allocation of gross profit between marketing regions and the Corporate segment allows for a more relevant analysis of performance by operating segment. The new margins will leave the income from operations for the Corporate segment close to zero over the full year, but seasonal variations of revenues and overhead costs may lead to a different result every quarter.

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

Nine months ended September 30, 2021 (in thousands of euros)	Cash and cash equivalents	Financial debts	Net cash
Free cash flow before non-recurring items	33,579	-	33,579
Non-recurring items included in free cash flow	(6,782)	-	(6,782)
Proceeds from issuance of ordinary shares[1]	2,177	-	2,177
Sale and purchase of treasury shares[2]	79	-	79
Acquisition cost of companies purchased[3]	(181,045)	-	(181,045)
Change in share of interests in controlled entities[4]	(1,363)	-	(1,363)
Dividend paid	(7,820)	-	(7,820)
Change in borrowings[5]	139,214	(139,214)	-
Amortized cost of borrowings[5]	-	(140)	(140)
Impact of currency variations – other	1,821	-	1,821
Change in cash position for the period	(20,140)	(139,354)	(159,494)
Cash position at December 31, 2020	134,626	-	134,626
Cash position at September 30, 2021	114,486	(139,354)	(24,868)
Change in cash position for the period	(20,140)	(139,354)	(159,494)

(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 cost for Gerber Technology, Neteven and Gemini (see note 3).
(4) Payments for the staggered acquisitions of additional 10% of Retviews (see note 3).
(5) Amounts relating to the financial borrowing made on June 1, 2021 (see note 8).

Free cash flow at September 30, 2021, was 26.8 million euros. This figure results from a combination of 36.1 million euros in cash flows provided by operating activities (including a decrease in working capital requirement of 9.4 million euros) and capital expenditures of 3.6 million euros. The cash flows provided by operating activities also comprised an increase in other operating non-current assets of 6.2 million euros (corresponding to the part of the first nine months of 2021 research tax credit, not paid and not deducted from the corporate income tax due by Lectra SA – see note 6 hereafter). Finally, the repayment of lease liabilities (according to IFRS 16), for 5.6 million euros, was taken into account.

Moreover, free cash flow included non-recurring cash-outs for 6.8 million euros, incurred for fees and other costs relating to the acquisition of Gerber Technology. Restated by this amount, free cash flow before non-recurring items amounted to 33.6 million euros.

The variation in working capital is explained as follows:

- −3.7 million euros corresponding to the decrease in trade accounts receivable (the variation in trade accounts receivable shown in the consolidated statement of cash flows includes ‘Deferred revenues’ in the statement of financial position, which for the most part comprises the share of recurring contracts billed but not yet recognized in revenues);
- +7.2 million euros corresponding to the increase in inventories, following the pickup in activity and an increase in safety stock to face the tensions in procurement;
- −4.5 million euros arising from the reimbursement of the outstanding balance of the 2017 research tax credit (see note 6 hereafter) in Q3 2021;
- +3.7 million euros arising from the decrease in trade accounts payable;
- −4.3 million euros arising from the increase in deposits received for customer orders;
- −9.3 million euros arising from the difference between the variable portion of salaries for the Group in respect of fiscal year 2020 paid mainly in 2021, and the one recognized in the first nine months of 2021 that will be paid in 2022;

- +1.7 million euros arising from the changes in other current assets and liabilities; taken individually, these changes are all immaterial.

The working capital requirement at September 30, 2021 was negative at 32.7 million euros. It comprised the current portion (5.4 million euros) of the 24.6 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 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 credits (6.2 million euros) for the first nine months of 2021 (2 months only for Neteven) was accounted for but not received.

Thus, at September 30, 2021, the Group held a 24.6 million euros receivable on the French tax administration (of which 19.2 million euros classified within other non-current assets), comprised of:

- the remaining amount of the research tax credit and innovation tax credit, after deduction from the corporate income tax due by Neteven in the same year: for 2021 (0.2 million euros) and 2020 (0.2 million euros);
- the remaining amount of the research tax credit, after deduction from the corporate income tax due by Lectra in the same year: for 2021 (6.2 million euros), 2020 (7.8 million euros), 2019 (5.2 million euros) and 2018 (5 million euros).

In light of its estimates of tax credits and corporate income tax for the next three fiscal years, Lectra does not expect to make any payment in respect of corporate income tax, from which will be deducted in full the research tax credit of each fiscal year. Thus, it received in Q3 2021 the reimbursement of the outstanding balance of 4.5 million euros in respect of the 2017 tax credit and it should receive the reimbursement of the outstanding balance of these non-deducted tax credits as follows: 2022 (in respect of the 2018 tax credit), 2023 (in respect of the 2019 tax credit), 2024 (in respect of the 2020 tax credit) and 2025 (in respect of the 2021 tax credit). This situation will last for as long as the amount of the annual tax credits exceeds the amount of income tax payable.

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

7. TREASURY SHARES

Since January 1, 2021, the company has purchased 225,040 shares and sold 223,656 shares at an average price of €30.58 and €31.12 respectively under the liquidity agreement administered by Exane BNP Paribas.

At September 30, 2021, the company held 15,381 Lectra shares (i.e. 0.04% of the share capital) with an average purchase price of €34.77 entirely under the liquidity agreement.

8. CASH AND CASH EQUIVALENTS AND NET CASH

(in thousands of euros)	September 30, 2021	December 31, 2020
Available cash	94,486	99,626
Cash equivalents	20,000	35,000
Borrowings and financial debts	(139,354)	-
Net cash / (net debt)	(24,868)	134,626

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

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

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

At September 30, 2021, the maturity of the loan was as follows:

(in thousands of euros)	September 30, 2021	December 31, 2020
Short term – less than one year	21,099	-
Long term – more than one year, and less than five years	118,255	-
Total	139,354	-

9. FOREIGN EXCHANGE RISK

The Group’s currency risk management policy is unchanged relative to December 31, 2020.

During the first nine months of 2021, the average parity between the US dollar and the euro was $1.20/€1.

Exchange risk hedging instruments

Exchange risk hedging instruments at September 30, 2021 were comprised of forward sales or purchases of foreign currencies (mainly US dollar) for a net total equivalent value (sales minus purchases) of 12.4 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 2021.

10. SENSITIVITY ANALYSIS

Until now, the Group performed calculations to determine the sensitivity of its business model to a change in revenues from new systems sales, as well as to a change in exchange rates.

With the integration of Gerber Technology, the previous balances have shifted; in particular, this integration reinforces the weight of the US dollar against the euro in the Group’s business model.

New estimations will be communicated with the Group’s annual financial statements for the fiscal year 2021.