FINANCIAL REPORT | 2021

LECTRA

Summary

The official version of the 2021 Financial Report was issued, filed with the AMF (French Securities Regulator) and published on Lectra's website (www.lectra.com) in French, in European Single Electronic Format (ESEF).

This English version of the 2021 Financial Report is provided solely for the convenience of English speaking readers. Note that it does not include the financial statements of the parent company and disclosures relating to the parent company that appear in the Management Report of the Board of Directors. In all matters of interpretation, the official version in French shall prevail.

Historic year for Lectra

Statement from Daniel Harari, Chairman and Chief Executive Officer

Change in dimension for Lectra

2021 was a major milestone in the history of Lectra, marked by three acquisitions including our historical competitor Gerber Technology, accelerating sales of our Industry 4.0 offers, and financial results that exceeded our expectations.

We showed great resilience in addressing the continuing impact of the COVID-19 pandemic. Despite the chaotic, challenging environment, we moved forward boldly, making the year every bit as intense as it was extraordinary.

Together, combining the forces of Lectra's historical teams with the teams at Gerber Technology, Neteven and Gemini that joined the Group, we have accomplished remarkable things.

The constant, passionate commitment by Lectra's teams to deliver higher value to customers may be our greatest force, but it is far from our only strength.

The combination of Gerber Technology and Lectra has created a premier advanced technology group with an extended global reach, capable of responding rapidly to changing customer needs across all its market sectors with innovative solutions for Industry 4.0. The Group has a large installed base of product development software and automated cutting solutions, with a worldwide presence and a long list of prestigious customers.

Results exceeded our expectations

The 2021 figures speak for themselves: revenues rose 64% to 387.6 million euros and EBITDA before non-recurring items rose 74% to 65.1 million euros.

Consolidated income from operations before non-recurring items came to 44.4 million euros.

Virtually all product lines recorded strong growth in orders; this was particularly the case for software subscriptions (SaaS).

These results lie in the upper end of the revised objectives published in July 2021.

Robust business model – very strong balance sheet

2021 demonstrated again the tremendous strength of our business model. In particular, the gross margin on recurring operations covered over 90% of our fixed overhead costs, or the year's overhead costs excluding R&D, our free cash flow exceeded net income, and our working capital requirement at December 31, 2021 was a negative 31.5 million euros.

At December 31, 2021, consolidated shareholders' equity amounted to 400.8 million euros, and net financial debt was only 8.8 million euros.

Acceleration in the implementation of our Lectra 4.0 strategy

Launched in February 2017, the Lectra 4.0 strategy aims to position Lectra as a key Industry 4.0 player in its markets between now and 2030. So far, the strategy has been implemented through two 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 technologies for Industry 4.0, 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, aims to enable Lectra to capture the full potential of its new offers for Industry 4.0, while delivering sustainable, profitable business growth.

Substantial progress in 2021 included the growing adoption of Lectra's offers for Industry 4.0, with close to 230 new customers for these offers, in addition to 120 with Neteven, bringing the total number of customers currently using these offers to 620.

The acquisition of Gerber Technology has strengthened all the Group's fundamentals: no competitor can match our business expertise, our extensive customer base, or our mastery of the entire range of technologies for Industry 4.0, namely cloud computing, the Internet of Things, big data, and artificial intelligence.

In the framework of the strategic roadmap for 2020-2022, Lectra has put in place a structured CSR policy that is consistent with its strategy and the fundamentals that make up our identity. Reflection on Lectra's social, societal and environmental responsibility has led to the identification of a number of challenges and opportunities for the Group. The formalized CSR policy will aim to align more closely with stakeholder expectations and focus on growth opportunities associated with social, societal and environmental considerations.

Lectra's ambition is to anchor the principles of responsibility and sustainability in the foundations of the Group's missions.

Signs of a promising year in 2022

Lectra has pushed back its limits and is today stronger than ever. The teams have embraced change with calm determination and have successfully formed a new community.

We can now look forward to the future with confidence, and have raised our objectives for 2022, which today are: revenues in the range of 508 to 556 million euros and EBITDA before non-recurring items in the range of 92 to 104 million euros.

I hope that you will find this report of interest and trust it provides the information you require.

Daniel Harari

Chairman and Chief Executive Officer

2021 key figures

Revenues

387.6
million euros
+64%

EBITDA before non-recurring items

65.1
million euros
+74%

EBITDA margin before non-recurring items

16.8%
of revenues

Net income

28.2
million euros
+61%

R&D costs

42.7
million euros
11%
of revenues

Free cash flow before non-recurring items

47.5
million euros

Net financial debt

8.8
million euros

Consolidated shareholders' equity

400.8
million euros

01

Management Discussion

01 Management Discussion

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Dear Shareholders,

This Management Discussion and analysis reports on the operations and financial results of the company Lectra (the "**Company**") and of the group Lectra ("**Lectra**" or the "**Group**", i.e., the consolidated entity formed by Lectra SA and all French and foreign subsidiaries under its control within the meaning of article L. 233-16 of the French Commercial Code).

It is separate from the report of the Board of Directors to the Shareholders' Meeting of April 30, 2022, which in addition discusses in detail the financial statements and other disclosures relating to the parent company, Lectra SA. This document is available, in French only, on the Company's website (www.lectra.com).

The Group's financial statements incorporate the acquisitions of Gerber Technology ("**Gerber**"), consolidated since June 1, 2021, Neteven, since July 28, 2021, and Gemini CAD Systems ("**Gemini**"), since September 27, 2021 ("**2021 Acquisitions**")[1].

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

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

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

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

1. Summary of events and performance in 2021

1.1 Acquisitions of Gerber, Neteven and Gemini

1.1.1. Gerber

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

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

The acquisition was completed on a cash-free debt-free basis, for 175 million euros – financed through a 140 million euro loan and the Group's available cash – plus 5 million newly issued Lectra shares to AIPCF VI LG Funding LP, Gerber's sole shareholder.

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

1.1.2. Neteven

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

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

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

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

1.1.3. Gemini

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

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

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

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

1.1.4. Pro forma 2021

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

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

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

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

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

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

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

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

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

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

Consolidated income from operations before non-recurring items totaled 44.4 million euros. This included a 6-million-euro charge for amortization of intangible assets arising from the acquisitions of Gerber, Neteven and Gemini (see chapter 1.4).

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

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

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

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

1.4 Balance sheet at December 31, 2021

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

At December 31, 2021, consolidated shareholders' equity amounted to 400.8 million euros (192.2 million euros at December 31, 2020). This increase is explained mainly by the capital increase carried out for the purpose of the acquisition of Gerber in the total amount of 165.3 million euros (see chapter 10).

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

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

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

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

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

2. 2020-2022 strategic roadmap: second progress report

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

The first roadmap, for 2017-2019, established the key fundamentals for the future of the Group, notably the successful integration into its new offers of the key technologies for Industry 4.0 (cloud computing, the Internet of Things, big data and artificial intelligence), the strengthening of the Executive Committee, the reorganization of subsidiaries into four main regions, and the launch of the first software offers in SaaS mode.

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

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

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

2.1 Lectra 4.0: a long-term vision

Markets are undergoing profound changes

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

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

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

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

Industry 4.0 is transforming industrial processes

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

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

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

A strategy to meet the challenges of Industry 4.0

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

- premium positioning, based on high value-added solutions and services with strong business-line expertise;
- focus on three strategic market sectors – fashion, automotive, and furniture – with a specific approach for each in terms of offers, organization and processes;
- integration of customers into the heart of the Group's activities, with a commitment from its teams to do everything in their power to enable customers to make optimal use of its solutions;

- the gradual market launch of new 4.0 services combining data analysis, Lectra's expertise and artificial intelligence, to enable customers to continuously improve their operations.

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

Progress report

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

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

2.2 2020-2022 strategic roadmap

Acceleration towards Industry 4.0

In February 2020, the Group set four strategic priorities:

- First, accelerate organic growth. Lectra reinforces simultaneously its prospecting actions in order to increase its market shares, and its sales actions aimed at introducing new product lines to existing customers in order to generate higher revenues per customer. In addition, the Group encourages customers to migrate to its higher value-added offers and deploys programs to accelerate the replacement of older generations of equipment, whether made by Lectra or by competitors.
- Second, strengthen customer relations. The Group reviews its activities with a focus on how its solutions are actually used, in order to anticipate customers' expectations and personalize their interactions with Lectra. In particular, the Group progressively deploys customer success teams country by country. The teams seek to optimize customers' performance through the use of Lectra solutions, with the aim of creating a virtuous circle of greater perceived added value, therefore enhanced loyalty, and as a result, higher recurring revenues for the Group. This approach leads Lectra to adjust the mission of its sales and service teams and make greater use of digital technology in interactions with its customers.
- Third, extend the offers for Industry 4.0. These offers, whether in new product lines or as additions to existing software and equipment, present strong growth potential for Lectra. They enable customers to implement the principles of Industry 4.0 and address changes in consumer demand, including the desire for personalized products. Lectra therefore pursues its policy of investing in R&D, devoting 11% to 12% of its revenues over the 2020-2022 period to R&D, with the aim of strengthening its expertise in the areas of data and artificial intelligence. These investments enhance the value of existing offers and lead to the introduction of new offers for Industry 4.0.
- Fourth, develop new areas for growth. Continuing on from the previous roadmap, the Group intensifies its targeted acquisitions. Lectra privileges two types of targets. The first are strategic targets – mainly start-ups – that bring to market offers that could complete Lectra's current range of products, or that have technological "bricks" capable of being incorporated into its portfolio. The second are tactical targets that operate in the same industry as Lectra and would enable the Group to increase its market shares. At the same time, Lectra promotes open innovation and strengthens the resources allocated to its Innovation Lab located in the technological campus in Bordeaux-Cestas, while developing partnerships with different industry players.

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

Progress report

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

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

Deployment of customer success teams began in early 2020 in Italy, France and the United States, and is continuing at a sustained pace in the rest of the world: 720 people, including 20 customer success managers dedicated to Industry 4.0

offers, provide day-to-day support to the Group's customers, with the objective of optimizing customer performance through the use of the Group's solutions. The number of customer success managers will continue to rise in the coming years, to provide support for growing numbers of customers using increasing offers.

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

At December 31, 2021, the Group R&D team included 478 men and women, plus close to 50 outside service providers; no other company in the industry has this capacity for innovation.

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

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

Sustainable, profitable growth

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

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

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

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

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

Progress report

As indicated in chapter 3, revenues for the Lectra 2020 scope (279 million euros) were 19% higher in 2021 than in 2020 and return to their pre-crisis level (280 million euros in 2019).

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

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

The Group's financial objectives for 2022 are set out in chapter 13.

3. Lectra 2020 scope

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

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

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

Orders

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

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

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

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

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

Revenues from perpetual software licenses, equipment and accompanying software, and non-recurring services (107.6 million euros) increased by 40%. They include mainly:

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

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

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

Revenues from recurring contracts, and consumables and parts

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

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

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

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

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

Gross profit

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

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

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

Overhead costs

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

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

While fixed costs had continued to benefit 2021 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.

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

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

Income from operations before non-recurring items

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

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

4. Risk factors – internal control and risk management procedures

This chapter describes the main risks facing the Group with regards to the specific characteristics of its business, structure, organization, strategy and business model. It further describes how the Group manages and prevents these risks, depending on their nature.

The analysis in this chapter takes into account the Group's 2021 acquisitions, of which Gerber is the most significant and has the greatest impact on the analysis, as well as the principal risks identified at the date of this Report relating to those acquisitions.

The Finance Division ensures that the risk management and internal control procedures enable the control of risks within the Group while optimizing its operating performance and respecting its strategy, values and ethical standards. It regularly reviews these procedures in order to identify areas for progress within the framework of its continuous improvement program and regularly reviews its reporting and harmonization of the information system processes.

4.1 Risk factors

For internal control and risk management to be effective, the Group needs to be able to identify and assess the risks to which it is exposed.

The identification of risks is overseen by the Finance Division and the Legal Affairs Department, with input from all Group operating and corporate departments. These risks are identified by means of a continuous improvement process, taking into account the changes in the Group's environment together with the organizational changes rendered necessary by the evolving nature of its markets.

A comprehensive mapping and risk assessment was carried out in 2018 with methodological support from a specialized consultant. This chapter takes into account the conclusions of the assessment and the updates carried out each year since that time.

Non-financial risks—social, societal and environmental risks—have been addressed in a specific mapping exercise and are described in greater detail in the Non-financial Statement included in this Report.

The COVID-19 pandemic had a strong impact on 2020 and 2021

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 remained in effect in 2021 and reduced the risk of contamination in the Company.

Population lockdowns in many countries and the shutdown of production plants by the Group's customers led to a decline in the Group's orders, revenues and earnings. However, the strength of the Group's business model, and in particular the high proportion of recurring revenues, combined with payment in advance on a portion of revenues, and the soundness of its financial position, enabled Lectra to successfully deal with the consequences of the pandemic and to limit its impacts. Its results remained positive in 2020 and the Company decided not to call upon any of the various measures proposed by the French government, such as the moratorium on payments, subsidized short-time working arrangements, or government-guaranteed loans.

If the pandemic and its negative consequences were to persist, the Group is equipped to deal with them and minimize negative impacts on its accounts and financial situation.

Other risks related to the COVID-19 crisis that emerged in 2021 are discussed in chapter 1 of this Report.

The Audit Committee has reviewed the principal risks liable to have a significant adverse impact on Lectra's human capital, assets, environment, goals, together with its activity, financial condition, financial results, ability to achieve its goals, or reputation.

The risk factors are divided into two main categories: risks relating to the environment in which the Group operates, and operational risks relating to its activity. Other risks not identified at the date of this report, or whose occurrence is not considered likely to have a material adverse effect on the Group, may exist or could occur.

Following the acquisition of Gerber on June 1, 2021, and as Gerber's business was already similar to Lectra's prior to this acquisition, the following description, which covers all risks to which the Group is exposed, remains relevant, and has been updated, where appropriate, to include matters specific to Gerber.

4.1.1. Risks related to the environment in which the Group operates

Risks related to the macroeconomic and geopolitical environment

The Group is exposed to global economic cycles.

The solutions marketed by Lectra represent a substantial financial cost for its customers. Decisions depend in part on the macroeconomic environment and on the state of the sectors in which customers operate. Customers could scale back or defer their investment decisions when global economic growth slows, when a particular sector suffers a downturn or when there is a crisis.

The economic development of the countries where the Group operates is mixed, and for some of them their political, economic and monetary situation either has deteriorated or is at risk of doing so. The constant shift between good and bad news, a lack of visibility, and companies' growing concerns will weigh even more heavily on their investment decisions—and hence on Group revenues and earnings—than the deteriorating macroeconomic conditions.

Brexit-related risk is not of material importance to the Group, the United Kingdom having accounted for less than 3% of consolidated revenues over the past three fiscal years.

The key factor protecting the Group against changes in the environment in which the Group operates is its business model, and in particular:

- a distribution of business activity over market sectors and geographic markets with cycles that are different from each other, and the very large number of customers throughout the world;
- a balanced mix between revenues from software licenses, equipment and non-recurring services, the Company's growth driver, and recurring revenues (maintenance contracts, Software-as-a-Service contracts, consumables and parts), which provide a cushion in periods of difficult economic conditions.

The gross profit generated by recurring revenues alone covers almost 94% of annual fixed overhead costs (90% in 2020).

The far-reaching changes being brought about by globalization, such as relocation and repatriation of production, are resulting in revenue loss in one country and gains in another country, albeit with a possible time lag.

Thanks to its strong presence in the major emerging countries, which are forecast to generate major share of total global growth in the coming years, the Group is well placed to turn this into a vehicle for dynamic growth.

Market risks

Because of its international presence, foreign exchange risk is the main market risk to which the Group is exposed.

Foreign exchange risks

The Group is exposed to financial risks resulting from variations in certain currencies against the euro, a substantial proportion of its revenues being denominated in other currencies than the euro.

The Group is especially sensitive to variations in the euro/US dollar exchange rate, as well as rates between the euro and other currencies, in particular the Chinese yuan owing to its progressive decorrelation from the dollar, production in China of a portion of equipment that it markets, the growing volume of business in the country, and the major role it now plays in the Group's competitiveness with regard to certain of its Chinese or international competitors whose products are manufactured in China.

This risk has been reduced thanks to the integration of Gerber.

In 2021, with Gerber consolidated for seven months, Neteven for five months, and Gemini for three months, 35% of the Group's consolidated revenues, 55% of its cost of sales, and 57% of its overhead expenses were denominated in euros. These percentages were respectively 42%, 24%, and 24% for the US dollar, and 9% (a portion of revenues generated in China being invoiced in US dollars or in other currencies), 9% and 6% for the Chinese yuan. Other currencies each represented less than 3% of revenues, of cost of sales and of overhead costs.

Currency fluctuations impact the Group in four ways:

- an impact on competitive position: Lectra is present in international markets. It manufactures or contracts for the production of its equipment in France, in the United States and in China whereas its main competitors manufacture their equipment in China. As a result, their production costs are primarily in yuan, while those of the Group are 55% in euros, 24% in US dollars and 9% in yuan;
- an impact on markets: in fashion, a lot of European and American customers have relocated their production abroad, and major currency fluctuations—especially between the yuan, the dollar and the euro—encourage them to adjust their sources of supply. Automotive and furniture customers, by contrast, generally sell in the same currencies as the countries or regions in which they produce, so fluctuations in those currencies would have little impact on them;

- an impact on the income statement: as accounts are consolidated in euros, revenues, gross profit, and income from operations of a subsidiary conducting its business in a foreign currency are mechanically affected by exchange rate fluctuations when translated into euros;
- an impact on the balance sheet: accounts receivable by the Company from its subsidiaries and customers for direct sales are recorded in original currencies. The risk relates to the variation between exchange rates at billing date and those at collection date. The impact is recognized in "Foreign exchange income (loss)" in the income statement.

Nearly all foreign-currency positions in the Company's statement of financial position are hedged by forward sales and purchases of currencies. Some currency positions in the Company's subsidiaries remain subject to the risk of exchange rate fluctuations.

Sensitivity to US dollar fluctuations and other currencies is shown in note 38 to the consolidated financial statements.

Liquidity risks

At December 31, 2021, the Group's financial debt amounted to 139.4 million euros. The contractual terms of repayment of the medium-term loan are set out in note 22 to the consolidated financial statements. Cash and cash equivalents amount to 130.6 million euros at that date.

Throughout the term of the loan, the Group is subject to compliance with a leverage ratio covenant regarding the ratio of net financial debt to EBITDA on June 30 and December 31 of each year. Breach of the covenant would permit the lender to demand repayment of the full amount outstanding. These conditions are set out in note 22 to the consolidated financial statements. The Group was in compliance with the covenant on December 31, 2021.

In view of these factors and the cash flows that the Group expects to generate (due in particular to a structurally negative working capital requirement), the risk that the Group may have to contend with a short-term cash shortage is close to zero.

Interest-rate risks

The Group's only exposure to interest rate fluctuations is the variable-rate loan taken out on June 1, 2021 (see note 22 to the consolidated financial statements), for which interest-rate risk has not been hedged.

The Group regularly monitors interest rate developments and may decide to use financial instruments such as interest rate swaps and options to limit the impact on the cost of the loan.

At the same time, the Group maintains a prudent policy for short-term placement of its cash balances.

Counterparty risks

The Group's exposure to counterparty risks is very low. They arise from its cash holdings and contracts entered into within the framework of its policy on foreign exchange risk hedging.

The Group's cash surpluses consist exclusively of interest-bearing sight accounts held with blue-chip banks. The corresponding asset values are monitored regularly.

Risks related to the stock market

The Company holds no interests in listed companies other than its own shares held under a Liquidity Agreement (see note 17.2 to the consolidated financial statements), or more generally under the new share repurchase program authorized by the Shareholders' Meeting (see chapter 10). At December 31, 2021, the Company held 0.02% of its own shares in treasury, solely in the framework of the Liquidity Agreement. Accordingly, it is not subject to stock market risk.

Risks related to the effects of climate change

Given its activity, and the concentration of a large part of its industrial operations at its Bordeaux-Cestas site, the Group does not consider the risks related to the effects of climate change to be material. However, it cannot exclude that, in some parts of the world, extreme climate events could have an impact on its customers, their activity and their investment decisions. This risk is minimized, however, by the location of Lectra's activity across the entire world.

Legal and regulatory risks

Lectra markets its products in more than 100 countries through a network of 61 sales and services subsidiaries, supplemented by agents and distributors in countries where the Group does not have a direct presence. Consequently, it is subject to a very large number of legal, customs, tax, and social regulations.

While the internal control procedures provide reasonable assurance of compliance with the prevailing laws and regulations, unexpected or sudden changes in certain rules, particularly regarding the establishment of trade barriers, as well as political or economic instability in certain countries, are all liable to impact the revenues and results of the Group.

From a tax point of view, there are many intra-group flows that have made it necessary to apply a fully documented transfer pricing policy that is compliant with French, local, and international guidelines (in particular the OECD Transfer Pricing Guidelines).

Research and development (R&D) activity qualifies for the French research tax credit (*Crédit d'Impôt Recherche*), which in 2021 represented 8.4 million euros, or 20% of the total corresponding

expense, 19% of income from operations before non-recurring items, and 30% of consolidated net income. The French research tax credit allows for the accounting of eligible personnel expenses, to which a flat rate percentage is applied to cover indirect expenses. Any significant reduction or abrogation of this tax credit in the coming year would have a material impact on the Group's income.

In addition, in the normal course of its business, Lectra may be involved in various disputes and lawsuits.

The Group considers that there are no governmental, judicial, or arbitral proceedings, including all proceedings of which the Group has knowledge, pending or which could threaten it, for which no provision has been made in the financial statements and liable, either individually or severally, to have material impacts on the financial condition or earnings of the Group.

Finally, the Company is listed on Euronext Paris and is subject to stock market regulations, particularly those of the *Autorité des Marchés Financiers* ("**AMF**"), the French Financial Markets Authority.

4.1.2. Risks related to the Group's business

Risks related to the product offer and innovation

Lectra develops and manufactures technological solutions—based on software, automatic cutting equipment, data and services—that use new and constantly evolving technologies.

Lectra's products must be of the highest quality and operate in a stable manner; its quality assurance system aims to prevent, as much as possible given the products' complexity, the occurrence of defects at any stage of product design and production. Lectra is currently analyzing Gerber's practices in order to ensure the same standard of quality.

To maintain its technological lead, Lectra must constantly demonstrate creativity and innovation. Particularly in the area of software, the Group faces competition from a growing number of companies specialized in a specific field, which sometimes makes them appear more attractive to customers. As in other sectors, there is a risk of a disruptive technology or business model unsettling its position in its markets.

Furthermore, despite their innovative nature, some new products developed by Lectra could fail to align with its customers' expectations or their capacity to integrate those products into their organization and their processes.

To reduce such risks, the Group devotes considerable amounts to product development and innovation. R&D expenses accounted for 11% of revenues in 2021, before deduction of the research tax credit applicable in France, and grants linked to certain R&D programs.

In addition, Lectra actively monitors technological developments in order to identify at the earliest possible stage new technologies capable of enhancing or enriching its offer or technologies developed by third parties that it could acquire.

Finally, Lectra collaborates with customers in developing new products, in order to propose technological solutions that are best suited to meeting the needs of most companies in each of the market segments it addresses.

As a corollary of this policy, the Group must ensure both that its innovations are not copied and that its products do not infringe third parties' intellectual property. A team within the Legal Affairs Department dedicated to the protection of intellectual property takes both offensive and defensive measures with regard to patents and software. This team employs instruments to protect innovations, and procedures to validate the Group's innovations relative to the rights of third parties. Its protection policy seeks to identify any illicit use of its patents or pirated copies of its software, which could hinder its growth in certain countries, and takes the necessary legal action to protect Lectra's intangible assets.

Risks related to a software offer running on a cloud infrastructure

Since 2018, Lectra has launched new software sold in SaaS mode that runs on a cloud infrastructure. The Group is therefore exposed to the risks inherent in all types of activity in the cloud, particularly breach of security, breach of confidentiality, loss of data integrity, or unavailability of services. These risks can have a negative impact on the Group's revenues, financial performance, and reputation.

Starting with software design and development, the specific issues inherent in cloud technology, such as security, performance, and guarantee of service, are addressed through a secure-by-design approach and by the use of appropriate tools and processes for monitoring and security.

All necessary means are put in place to comply with local laws and regulations, notably regarding the Group's customers' data. The Group has dedicated teams to address the matter, including an information system security officer ("**ISSO**") and a data protection officer ("**DPO**"), registered with the *Commission Nationale de l'Informatique et des Libertés* ("**CNIL**"), the French data protection authority, who ensures compliance with data protection laws and the General Data Protection Regulation ("**GDPR**").

In addition, in order to measure risks and reduce them whenever required, periodical campaigns to test for intrusion and data isolation are conducted across the entire scope covered by the SaaS offers.

Furthermore, the Group outsources its cloud infrastructure to providers with the highest level of certification for security (including ISO 27001) and cyber protection. The data hosted by these suppliers is systematically encrypted and backed up daily at remote sites.

Information systems security risks

The different means of communication in place (including an international private network, remote access and collaborative solutions, and videoconferencing) enable all employees to exchange and share information in a totally secure environment, regardless of location and mode of connection.

The Group is exposed to various risks in connection with its information systems and the use made of them, which is essential to the Group's operations.

In order to reduce these risks and fight against cybercrime it relies on its ISSO and its DPO and implements an information system security policy ("**ISSP**") that sets out the applicable standards and rules.

Lectra has established a group-wide security committee chaired by the Chief Technology Officer ("**CTO**"), who is also a member of the Executive Committee. The security committee oversees the annual security action plan that maintains Lectra's state-of-the-art position in IT security.

The Group has put in place a business continuity plan ("BCP") incorporating resources designed to guarantee a coherent and rapid restoration of critical applications and data that it supports in the event of an incident. Foremost among these means is the replication in real time of data and systems in two remote data centers guaranteeing business continuity in the event of a shutdown of one of the two centers. Each center has its own technical protection systems (with access control, backup generator, surge protector, redundant climate control, and a permanently monitored fire control system on constant alert), together with a double Internet connection and a private network with all the Group's subsidiaries. This plan has been subjected to regular tests under actual conditions. In addition to real-time data synchronization, servers and data are backed up daily.

Moreover, the Group verifies annually, through different internal and external audits, its information security processes and procedures, and tests for intrusions.

Access to IT resources is centralized in a single Directory, under the exclusive control of a dedicated team guaranteeing the separation of roles in the execution of sensitive transactions.

Finally, the Group fosters awareness among its staff by means of periodical campaigns (videos, emails and e-learning courses) and trains them in the application of and compliance with security procedures.

Risks related customers' data and personal data

To address the growing importance of ensuring the security of customers' data and the protection of personal data, the Group has established a department dedicated to data management and data security. The ISSO and the DPO monitor and manage data security related risks.

The Group has addressed the issue of loss of data starting with the design stage of new cloud-based offers (privacy by design) by implementation of regularly tested, encrypted backups by a cloud technology supplier (Microsoft) offering the highest level of security certification and protection, which enables the Group to limit its exposure to risks as much as possible.

Measures have been taken to ensure compliance with rules on the protection of personal data that enable the Group to achieve a good level of protection and compliance, both for data processed by the Group for its internal purposes and for data arising from business with its customers which, in the framework of business-to-business (B2B) relationships, involve limited exposure to personal data protection issues.

An independent GDPR audit conducted at the end of 2021 found that the rules and procedures in force within the Group are compliant with the Regulation. The Group is also working with Gerber teams to identify any potential alignments that may be required regarding procedures for processing and protection of personal data.

Production risks

Following the Gerber acquisition, the Group has one production site in France and works with companies specializing in subcontracted manufacturing in the United States and China. This combination allows it to spread risks in the event of a manufacturing center shutdown or issues with logistics and transportation. It also allows for greater proximity to its customers' markets.

However, dependence on subcontractors for some manufactured equipment may present a risk of a disruption in the ability to deliver to the Group's customers as they wish, given the lower degree of control over these subcontractors, compared to manufacturing carried out directly by Lectra's production facility. This risk is addressed in the content of the contractual relationship with these manufacturing subcontractors.

A large portion of the subassemblies incorporated in equipment manufactured in France, in the United States or China is subcontracted to specialized suppliers. A technical, logistic, or financial failure on the part of an important supplier could result in delays or defects in equipment shipped by Lectra to its customers, compromise the image of the Group and adversely affect its activity and its results.

To reduce this risk to a minimum, each supplier undergoes technological, industrial, and financial scrutiny of their situation and performance, and the Company applies the principle of dual-sourcing for all parts and strategic components prior to selection. The assessment is updated at regular intervals, the frequency depending on the criticality of the supplier's component.

The Group may face global shortages of certain components or parts used in the manufacture or maintenance of its products. This risk of a supply-chain breakdown could affect its capacity to fulfill customers' orders. This is reviewed continuously, and buffer inventories are maintained of the parts and components concerned, depending on the likely risk of shortage.

To mitigate this risk, which increased in 2021 due to global shortages, the Group has significantly moved forward orders to suppliers and extended the periods they cover, particularly for electronic components.

There is a risk the Group could be unable to keep up with rapid growth in sales of automatic cutting equipment and shipments of consumables and parts, due to global shortages and supply difficulties for certain components and raw materials. The risk, however, has been mitigated by supply-chain decisions and by the high degree of flexibility of Lectra's production plant.

Production activity was maintained without interruption throughout 2021, and the Group experienced no disruption in procurement.

Customer dependency risks

For the Lectra 2020 scope, revenues from software licenses, equipment and non-recurring services, which accounted for 39% of total revenues in 2021, are generated each year by a very large number of customers (around 1,100 in 2021) and comprise both sales to new customers and extensions or the renewal of existing customers' installed bases. Revenues from recurring contracts, accounting for 37% of 2021 total revenues, are generated by around 5,100 customers. Finally, sales of consumables and parts, which accounted for 25% of 2021 total revenues, are generated on a large proportion of the installed base of nearly 7,600 cutters.

For this scope, there is thus no material risk of dependence on one or several customers, as no individual customer represented more than 4% of consolidated revenues over the last three-years, the 10 largest customers represented less than 20% of revenues combined, and the top 20 customers less than 25%.

A more precise analysis of Gerber's figures and the consolidated figures will be made in 2022, but as Gerber sells to a large number of customers, and because of the low number of customers shared by Lectra and Gerber before the acquisition, there should be no increased risk of dependency on certain customers.

Human resources risks

Lectra's performance depends primarily on the competence and expertise of its personnel, the quality of its management and its capacity to unite its teams in executing its strategy. Any departure within the management team, like any departure of certain experts can affect its operations and financial results.

The Group is also exposed to the risk of not finding the skills required to implement its strategy and achieve its objectives within the timeframe it has set. The risks associated with these challenges are amplified when the profiles sought are rare or when, in certain countries and regions, the job market is not favorable to employers or when Lectra is not attractive enough.

The mission of the human resources staff is to limit these risks through six main policies: to recruit new talents who will contribute to achieving the strategic roadmap; to attract and retain suitably qualified key personnel to ensure the competitiveness, growth and profitability of the Company; to motivate the Group's teams by applying principles of fair compensation based on the recognition of merit and performance; to sustain the development of skills; to organize and encourage the transfer of experience thanks to an ambitious and continuous training policy; to emphasize the high degree of agility and adaptability of the Group's organization to changes in its markets and technologies by continuously reshaping its organization.

At the same time, Lectra places great importance on compliance with existing labor regulations wherever it operates. Its active policy of transparency in the disclosure of information and in managing its labor relations is one means for the Group to create a positive social climate, enabling the Company to underpin its development and deal constructively with economic uncertainty and the requirements to successfully reach its objectives.

The Group's activities generate risks of accidents or illnesses related to the working environment, which could affect the health or the physical integrity of its personnel. To reduce these risks, they are identified and assessed, and targeted action plans are developed to ensure that all Group activities are carried out safely, in particular in R&D and manufacturing activities as well as maintenance interventions.

In France, which is home to the majority of the Group's industrial operations, Lectra builds on the complementary capabilities of a safety engineer, the Human Resources Division, Facility Management, and the Occupational Health Department. The Safety and Working Conditions Committee ("**CSSCT**") is consulted on a regular basis, and participates in the Company's actions in the area.

Furthermore, numerous accident prevention campaigns and training programs have been organized.

In 2020, for instance, a working group that included members from the Human Resources Division, team managers, the CSSCT, and an outside consultant held several meetings to define a methodology for identifying psychosocial risks that will lead to improvements in current practices and will subsequently be deployed through the Company on a permanent basis.

Thanks to its accident prevention policy, the Company has achieved a very good record, with accident frequency and severity rates respectively six and thirty-four times below national indicators in France.

Credit risks

The Group is exposed to credit risks in the event of customer insolvency or default. This risk can have a negative impact on profit.

The Group pays close attention to the security of payment for systems and services delivered to customers. It has kept the scale of losses in connection with this risk at a historically low level, representing less than 1% of annual revenues, thanks to the terms of payment it applies, with in particular down payments required at the time of the order and upon shipment, and payment in advance for recurring contracts. The acquisition of Gerber should not change this situation.

Furthermore, the Group's dependence on one or more customers with the potential to significantly impact Group profit in the event of default is limited (see paragraph "Customer dependency risks" above).

Risks relating to the Group's acquisitions

Fiscal year 2021 was marked by several acquisitions, particularly the acquisition of Gerber, which was integrated into the Group, effective June 1, 2021. This integration entails risks, from both a strategic and an operational point of view. Its complexity or too long a period of integration could impact the Group's ability to achieve the objectives set in its 2020-2022 roadmap. This integration could also lead some customers, suppliers or other stakeholders to reassess their relationship with the Group. It could also have an impact on the motivation or commitment of teams, or lead to the departure of certain talents from the Group.

The integration also involves execution risks relating to possible difficulties in bringing Gerber practices into convergence with Lectra's standards or in generating the synergies expected at the time of the acquisition, or in the timeframe for achieving those synergies.

To minimize those risks and facilitate the integration of Gerber into the Group, Lectra secured assistance from the inception of the process from a specialized consulting firm. As the acquisition dates from June 1, 2021, the Group is still implementing the integration plan.

4.1.3. Insurance and risk cover

The Finance Division and Legal Affairs Department oversee the insurance programs for the Group, formulate Group policy with respect to the evaluation of its risks and their coverage, and coordinate the administration of insurance contracts with respect to legal liability, property damage, and damages and losses incurred during transportation. They reassess this policy regularly and renegotiate or adjust programs to take into account the evolution of activity and the risks related to the evolution of the Group.

Lectra has taken the following insurance coverage:

- legal liability, business continuity, post-delivery, and professional liability (Errors and Omissions in the United States);
- Directors and officers liability;
- property damage;
- transported goods.

The Group works through international brokers whose network has the capacity to provide assistance in all its activities and throughout its different geographies. A global insurance program entered into by the Company supplemented by local programs, provides for complete and effective coverage.

Insurance programs are written with reputable insurers of sufficient size and capacity to provide adequate cover for the Group's risks and to administer claims in all countries.

At regular intervals, when programs come due for renewal, the Group invites competing companies to submit bids in order to secure the best possible terms and conditions.

The guarantees provided by these programs are reviewed annually and are calculated on the basis of estimated possible losses, the guarantee terms generally available on the market, notably for companies of comparable size and characteristics to Lectra, and depending on insurance companies' proposals.

The Group manages uncertainty with respect to general liability by means of a contractual policy that excludes its liability for indirect damage and limits its liability for direct damage to the extent allowed by applicable regulations.

Given the use made of the equipment commercialized by it, the Group is also exposed to the risk of injury to its customers' employees while operating certain items of equipment supplied by it. It therefore takes all appropriate steps to ensure that these meet the strictest personnel safety standards. For cases in which malfunction could not be avoided, the Group's product liability insurance contract covers it against adverse monetary consequences arising from claims that could result from its sales of systems or provision of services.

The property damage program provides for payment of claims for material damage to buildings or physical assets in accordance with the declared amount for each of its sites worldwide, which the Group reports annually. The program comprises additional guarantees to finance the continuity or reorganization of activity in case of a loss event, particularly regarding the Bordeaux-Cestas (France) site, which houses research and development and production activities as well as critical services for the Group as a whole. The program comprises "business continuity" cover against financial loss in the event of a major accident affecting the Bordeaux-Cestas site and jeopardizing the continuity of all or part of the Group's business. It is backed up by risk prevention measures at this site, comprising an annual risk-reduction plan based on the findings of the Group insurers' experts.

4.2 Internal control and risk management procedures

4.2.1. Group internal control and risk management system

The internal control system designed and implemented by the Group comprises a body of rules, procedures and charters. It also encompasses reporting obligations and the individual conduct of all the players involved in the internal control system by virtue of their knowledge and understanding of its aims and rules. This system provides reasonable assurance of achieving the objectives described in this chapter.

Given the recent nature of the 2021 acquisitions and the inevitable time required to integrate new entities, the transposition of the Group's internal control and risk management systems is still in progress in the new subsidiaries.

Legal and regulatory compliance

The Company's internal control procedures are designed to provide assurance that the operations carried out in all Group companies comply with the laws and regulations in force in each of the countries concerned for the different areas in question (e.g., corporate law, securities law, customs law, labor law, tax law, and anti-corruption regulations, as more fully described in the Non-Financial Statement, appended to this Report).

Close attention is paid to the regulatory requirements applicable to the Group's products and solutions, notably laws on the protection and security of personal data, the protection of intellectual and industrial property rights, and the regulatory requirements applicable to machines.

Lectra's anti-corruption system is described in the Non-Financial Statement appended to this Report.

Oversight of proper application of Executive Committee instructions and orientations

A series of procedures has been put in place to define the scope and the limits to the powers of action and decision of Lectra employees at all levels of responsibility. In particular, these serve to ensure that the business of the Group is conducted in accordance with the policies and ethical rules laid down by the Executive Committee. These procedures were first adapted in 2019 when the Executive Committee was expanded and updated in 2021 when the Executive Committee was further expanded with several new members following the Gerber acquisition.

Proper functioning of the company's internal processes, especially those relating to the protection of its assets

The purpose of the processes in place and procedures to control their application is to optimize financial performance consistently with the Group's short and medium-term financial goals. Internal control procedures contribute to safeguarding Group tangible and intangible assets (such as intellectual and industrial property, Company brands, customer relationships and corporate image, computer data), as well as Group human capital, all of which play a key role in its property, business activity and growth dynamism.

Reliable financial information

Among the control mechanisms in place, special emphasis is placed on procedures for preparing and processing accounting and financial information. Their aim is to generate reliable, high-quality information that presents a fair view of the Group's operations and financial condition.

Risk management

For each identified risk, a member of the Executive Committee is responsible for the treatment, prevention or management of that risk. For this purpose, he or she validates a plan of action and ensures it is duly implemented.

The risk management procedures aim in particular at:

- creating and preserving the value, assets and reputation of Lectra;
- ensuring secure decision-making processes and achieving the Company's goals;
- aligning Lectra's actions with its core values;
- involving employees in the management of risks associated with their activity and responsibilities through shared evaluation of the main risk factors.

The cost of implementing the system's performance target for covered risks versus residual risks is

adjusted to match the Group's resources, size and the complexity of its organization. While this system provides reasonable assurance of fulfilment of the aforesaid objectives, it can provide no absolute guarantee of doing so. Many factors independent of the system's quality, in particular human factors or those attributable to the outside environment in which the Group companies operate, could impair its effectiveness.

4.2.2. Components of internal control

Organization, decision-making process, information systems and procedures

Organization and decision-making process

The Board of Directors is responsible for setting the strategy and direction of the Group's operations, and for overseeing their implementation.

The Audit Committee discusses the internal control system with the Company's Statutory Auditors. It gathers their recommendations and, notably, ensures that their level and quality of coverage are adequate. It reports on its proceedings and opinions to the Board of Directors.

The Chairman and Chief Executive Officer is responsible for overseeing the proper functioning of the Company's managing bodies. He is invested with the fullest powers to act on behalf of the Company in all circumstances and represents the Company in its dealings with third parties.

The Executive Committee implements the strategy and policies defined by the Board of Directors. Its members have each been delegated broad powers and are critical to the effectiveness of the internal control system. All important decisions relating to the operations of a region are made by a specific committee. These committees, chaired by the Chairman and Chief Executive Officer, the Executive Vice President or by one of the Executive Committee members, meet regularly (usually once a semester), with the region leader and his management teams attending. The latter submit to the committees their detailed action plans drawn up on the basis of Group strategic and budget directives, and they report on the implementation of decisions as well as on their operations and performance.

The powers and limits to the powers of the region leaders and of the directors of the various corporate divisions are laid down by the Chairman and Chief Executive Officer or the Executive Vice President, depending on the case. These powers and their limits are communicated in writing to the region leaders and directors concerned, who are then required to account for their utilization of the powers conferred on them, in monthly or quarterly reports on their activities to the Chairman and Chief Executive Officer or Executive Vice President.

The internal control process involves a large number of other players. The corporate divisions are at the center of this organization. They are responsible for formulating rules and procedures, for monitoring their application and, more generally, for approving and authorizing a large number of decisions connected with the operations of each Group entity.

Information systems

Information systems play a structurally critical role in the Group's system of internal control, and act as a key performance-tracking instrument thanks to integrated inter-company financial information, to ensure homogeneity and communicability between the Group's different IT systems, and their continuous adaptation to developments in business processes and modes of operation, together with tighter controls.

Information systems are regularly adapted to the expanded requirements of the Group in terms of the quality, relevance, timeliness and comprehensiveness of information. These systems are contributing to the implementation of harmonized Groupwide management procedures and rules while boosting the effectiveness of controls. Starting at the time of acquisition, companies acquired are progressively integrated into the Group reporting system.

Procedures

The Group has put in place a large number of procedures, which specify the manner in which the different processes are to be performed, together with the roles of the different persons concerned, and the powers delegated to them within the framework of these processes.

They further prescribe the method of controlling compliance with rules for the performance of processes. Procedures are adjusted on a regular basis to take into account the integration of acquired companies. The main subjects entailing issues critical to Group objectives are:

- ***Sales***

  A series of procedures exists to cover the sales cycle and more generally the entire sales process. In particular, the "Sales Rules and Guidelines" clearly set out rules, delegations of powers, and circuits, together with the controls performed at the various stages in the sales process to verify the authenticity and content of orders, shipment and billing thereof, as well as periodic reviews of ongoing business activity by the Executive Committee.

- ***Credit management***

  Credit management procedures are designed to limit the risks of non-collection and shorten account collection times. These procedures include a preventive analysis of

its customers' solvency and provide for the strict and systematic application of several measures for dealing with customers in arrears. These means of collection are coordinated by the Credit Management Department in conjunction with the Legal Affairs Department.

Moreover, sales of new systems to countries subject to high economic or political risks are for the most part guaranteed by irrevocable letters of credit confirmed by one of Lectra's banks or by bank guarantees.

Historically, bad debts and customer defaults have been rare.

- ***Purchasing***

The Company's purchases and capital expenditure account for the majority of Group outlays under these headings. Procedures are in place to ensure that all purchases from third parties are compliant with budgetary authorizations. They further spell out formally the delegations of powers regarding expenditure commitments and signatures, based on the principle of the separation of tasks within the process. The information system now in place reinforces the process of control over the proper application of rules.

- ***Personnel***

Under the procedures in place all forecasted or actual personnel changes are approved by the Human Resources Division. All recruitments and dismissals must receive the division's prior authorization.

Compensation is reviewed annually and submitted to the Human Resources Director for approval.

Finally, for all personnel whose total annual compensation exceeds 200,000€ or its equivalent in foreign currencies, the Executive Committee submits the current compensation formula, benefits in kind, as well as any change in this formula, to the Compensation Committee for prior approval.

- ***Treasury***

The Group's internal control procedures regarding treasury operations mainly concern bank reconciliations, security of payment means, delegation of signing authority, and monitoring of currency risk.

The Group has implemented secure means of payment. Bank reconciliation procedures are systematic and comprehensive. They entail verification of all entries in the Group's bank accounts made by the banks, together with reconciliation between treasury balances and the cash and bank accounts within the financial statements.

Bank signature authorizations for each Group entity are governed by written procedures laid down by the Group Finance Division and are revocable at all times with immediate effect. Signing powers delegated under these procedures are notified to the banks, which must acknowledge receipt thereof.

Monitoring of loans and related covenants is managed by the Group Treasurer.

- ***Currency risk***

The Group seeks to protect its foreign-currency denominated receivables and debts, as well as future cash flows when hedges are available under reasonable economic conditions. Decisions take into account currency risks and trends having a material impact on its financial condition and competitive situation. The Group's statement of financial position exposure is monitored in real time; it utilizes forward currency contracts to hedge all relevant receivables and debts.

The policy on foreign exchange risk hedging is gradually extended to acquired companies in the twelve months following the date of acquisition.

Control activity: players involved in risk control and management processes

The internal control and risk management processes are implemented by Executive Management under control of the Audit Committee and the Board of Directors. The Audit Committee monitors the effectiveness of the internal control and risk management systems for the Board of Directors and reports to them thereon. The risk mapping carried out and periodically updated by Executive Management is reviewed by the Audit Committee and the Board of Directors. The Group does not have a specific internal audit department as such, but the Group Finance Division—in particular the treasury and management control teams—and the Legal Affairs Department are central to the internal control and risk management system.

Controls are in place at many points throughout the Group's organization. These are adapted to the critical aspects and risks linked to the processes to which they apply. Controls are conducted by means of IT applications, procedures subject to systematic manual control, via ex-post audits, or via a chain of command, in particular by members of the Executive Committee. Spot checks are also performed in the various Group subsidiaries.

In each subsidiary, the person in charge of finance and administration, which generally includes legal affairs, plays a major role in the organization and conduct of internal controls. The mission of this person, who reports functionally or hierarchically to the Group Finance Division, is to ensure that

the subsidiary complies with the rules and procedures established by the Executive Committee and the corporate divisions.

The Information Systems Division is responsible for guaranteeing the integrity of data processed by the various software packages in use within the Group. It works with the Group Finance Division to ensure that all automated processing routines contributing to the preparation of financial information are compliant with accounting rules and procedures. In addition, it verifies the quality and completeness of information transferred between the different software applications. Finally, it is responsible for information systems security. Information system application controls are subject to an annual audit by the Statutory Auditors.

The Group Legal Affairs Department and Human Resources Division perform legal and social audits of all Group subsidiaries. Their role notably consists in verifying that their operations are compliant with the laws and labor regulations in force in the countries concerned. They also supervise most of the contractual relations entered into between Group companies and employees or third parties.

The Legal Affairs Department works with a network of law firms located in the countries concerned and specializing in the subjects at issue, as needed. The Legal Affairs Department is also responsible for identifying risks requiring insurance and formulating a policy for covering these risks by means of appropriate insurance contracts. It supervises and manages potential or pending litigation, in conjunction with the Group's attorneys where appropriate.

A dedicated intellectual and industrial property team functions as part of the Legal Affairs Department. It acts preventively to protect innovations and avert all risks of infringement of the Company's intellectual property rights and, more broadly, all risks associated with innovation and the protection of its intellectual and industrial property.

Currency risk is managed centrally by the Group Treasurer. Group exposure is controlled regularly.

Continuous improvement of the internal control system and procedures

Incidents observed in the course of controls or in the findings of ex-post audits of compliance with internal control rules and procedures provide information on internal control system quality and contribute to continuous improvement of the system.

The Group has begun implementation of an alignment plan to extend its internal control and risk management practices to the companies acquired in 2021.

Given the nature of its business, the Group is compelled to adapt its organization to market changes whenever necessary. Each change in its organization or modus operandi is preceded by a review process to ensure that the proposed change is consistent with the preservation of an internal control environment complying with the objectives described in chapter 4.2.1, "Group internal control and risk management system". Within this context, the scope and distribution of the powers of individuals and teams, reporting lines and rules for the delegation of signing authority, are reviewed and adjusted, if necessary, during all organizational changes.

Oversight of internal controls is underpinned by a continuous improvement process. Work has continued on the themes laid down in 2018 and in previous years and will be pursued in 2022:

- updating the Group's risk mapping and risk prevention plan;
- updating and/or formalizing accounting and financial procedures, procedures relating to human resources management and internal control rules;
- updating and improving reporting tools;
- general improvements in IT systems and resources, stricter management of access rights and controls on data integrity in information systems.

4.3 Preparation and processing of accounting and financial information

In addition to the elements described in the foregoing paragraphs, the Group has implemented precise procedures for the preparation and control of accounting and financial information, mainly reporting, budget procedures, and procedures for the preparation and verification of the consolidated financial statements. Their purpose is to ensure the quality of accounting and financial information communicated to the Executive Committee, management teams, the Audit Committee, the Board of Directors, and to the shareholders and the financial markets.

These procedures also apply to the accounting and financial information for the companies acquired in 2021, from the date of consolidation in the Group's accounts.

The Finance Division regularly identifies risks that could affect the compilation, the processing and the quality of accounting and financial information. It communicates continuously with the Group's Finance Divisions to ensure that these risks are managed. This analysis and centralized risk management process are additional to the procedures described below to reduce the risks of error in the accounting and financial information published by the Company.

4.3.1. Reporting and budget procedures

Lectra produces comprehensive, detailed financial reporting covering all aspects of the activities of each division of the Company and of each subsidiary. This is based on a sophisticated financial information system built around a market-leading software package.

Reporting procedures are based primarily on the budgetary control system put in place by the Group. The Group's annual budget is prepared centrally by the Group Finance Division management control teams. This detailed, comprehensive process includes analyzing and quantifying the budgetary targets of each subsidiary and Group unit under a very wide range of income statement and treasury headings, working capital requirement, together with indicators specific to each activity and the structure of operations. This system permits rapid identification of any deviation in actual or forecast results, and thereby minimizes the risk of error in the financial information produced.

4.3.2. Financial statements preparation and verification procedures

Monthly financial results

The actual results of each Group entity are verified and analyzed monthly, and new forecasts for the current quarter are consolidated. Each deviation is identified and described in detail in order to determine its causes, verify that procedures have been respected and financial information properly prepared.

Quarterly consolidation

Group financial statements (statement of financial position, income statement, statement of cash flows, and statement of changes in equity) are consolidated on a quarterly basis. The process of preparing the consolidated financial statements comprises a large number of controls to ensure the quality of the information communicated by each of the consolidated companies and of the consolidation process itself.

All Group subsidiaries employ the same standard consolidation reporting package for the purposes of this consolidation process. Actual results are compared with forecasts received previously in the monthly reporting procedure.

Upon completion of the consolidation process, variances from forecasts for items in the income statement, statement of financial position and statement of cash flows are explained.

The resulting financial statements are reviewed by the Chairman and Chief Executive Officer, the Executive Vice President and the Chief Financial Officer, in the course of preparing the work of the Board of Directors, and then submitted to the Audit Committee, before being reviewed and approved by the Board of Directors and published by the Company.

5. Off-balance sheet items

5.1 Off-balance sheet commitments relating to the Group financing

The Company, through its banks, has given a total of 3.9 million euros in guarantees to customers, to lessors in connection with lease contracts, or to suppliers and service providers at December 31, 2021 (2.0 million euros at December 31, 2020).

Exchange risk hedging instruments of balance sheet positions at December 31, 2020 were comprised of forward sales or purchases of foreign currencies (mainly US dollars, pounds sterling and Canadian dollars) for a net total equivalent value (sales minus purchases) of negative 5.5 million euros (+1.7 million euros at December 31, 2020).

5.2 Off-balance sheet commitments relating to operating activities

The only off-balance sheet commitments relating to operating activities concern normal security contracts, catering services, reception desk contracts, office equipment rentals, etc., as well as Group management software subscription contracts, which may be cancelled in accordance with contract terms. These commitments are discussed in the notes to the consolidated financial statements.

The Group's off-balance sheet commitments relating to operating activities at December 31, 2021 were valued using the same methodology as in previous years.

6. Research and development

The Group invests significantly in research and development (R&D).

At December 31, 2021, the R&D headcount was 478 persons (374 at December 31, 2020), including 316 in France, 71 in Romania, 68 in the United States, 10 in Italy, 8 in Spain and 5 in Belgium.

Consisting mainly of trained engineers, they span a wide array of specialties across a broad spectrum from software development and Internet services through electronics, mechanical engineering, as well as expert knowledge of the Group's customers' businesses. The Group also has recourse to specialized subcontractors, accounting for a small proportion of its total R&D spending.

In addition, the Group is investing in advanced research and studies, drawing on areas of excellence across an array of laboratories, universities, schools, competitiveness clusters and technology centers. Partnership contracts with various actors have been implemented, accelerating and reinforcing Lectra's innovative capabilities.

All R&D expenditures are fully expensed in the year and booked in fixed overhead costs. Before deduction of the (French) research tax credit applicable in France, these expenditures totaled 42.7 million euros in 2021, or 11% of revenues (31.5 million euros and 13.3% in 2020). Net R&D expense, after deducting the subsidies and research tax credit, amounted to 34 million euros (22.7 million euros in 2020).

As a result of these substantial R&D efforts (264 million euros invested over the past ten years, counting only outlays by companies included in the Lectra scope at end-2020), the Group has a major technological asset that is valued at zero in the statement of financial position. The Group has thus maintained and even strengthened its technology lead over its competitors.

7. Corporate social, environmental and societal responsibility information (Non-financial Statement)

The Non-financial Statement prepared in accordance with article L. 225-102-1 of the French Commercial Code is appended to the Management Discussion and appears on pages 47 to 88 of the Annual Financial Report.

8. Appropriation of earnings

The Board of Directors has decided to propose to the shareholders during their meeting on April 29, 2022, the payment of a dividend to €0.36 per share in respect of fiscal year 2021. The gross dividend represents a payout ratio of 48% of 2021 consolidated net income and 42% of net income excluding non-recurring items, and a yield of 0.9% based on the December 31, 2021, closing share price.

Subject to approval by the Shareholders' Meeting of April 29, 2022, the dividend will be made payable on May 6, 2022.

9. Share capital - Ownership - Share price performance

9.1 Change in share capital

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

Since January 1, 2021, it has been increased as follows:

- by €231,308 in par value (with a share premium of €2,797,067) through the creation of 231,308 shares resulting from the exercise of stock options;
- by €5,000,000 in par value (with a contribution premium of €117,500,000) through the issuance of 5,000,000 new ordinary shares to AIPCF VI LG Funding LP in consideration for the latter's contribution to the Company of 100% of the shares of the company Knife Holding Corporation, Gerber's parent company.

9.2 Main shareholders

The following crossings of statutory thresholds were reported to the Company in 2021:

- Brown Capital Management LLC (United States), acting on behalf of investment funds and customers that it manages, reported that on March 18, 2021, it crossed above the 5% threshold of the share capital and voting rights, and held, at that date 5.76% of the share capital and 5.72% of the voting rights, and further reported holding on December 12, 2021, 6.26% of the share capital and 6.22% of the voting rights;
- AIPCF VI LG Funding LP (United States) reported that on June 1, 2021, it crossed above the 5% and 10% thresholds of the share capital and voting rights, and held, at that date 13.29% of the share capital and 13.21% of the voting rights;
- Allianz SE (Germany) reported that on June 1, 2021, it crossed below the 5% threshold of the share capital and voting rights, and held, at that date, through the companies Allianz Iard and Allianz Vie that it controls, 4.41% of the share capital and 4.38% of the voting rights;
- Daniel Harari reported that on June 1, 2021, he crossed below the 15% threshold of the share capital and voting rights, and held, at that date, 14.64% of the share capital and 14,55% of the voting rights;
- Kabouter Management LLC (United States), acting on behalf of investment funds and customers that it manages, reported that on June 1, 2021, it crossed below the 10% threshold of the share capital and voting rights, and held, at that date, 9.04% of the share capital and 8.99% of the voting rights.

Furthermore, on January 1, 2022, the Company was notified that the following statutory thresholds had been crossed:

- AIPCF VI LG Funding LP (United States) reported that on February 16, 2022, it crossed below the 10% threshold of the share capital and voting rights, and held, at that date, 9.01% of the share capital and 8.96% of the voting rights;
- Fidelity Management & Research Company LLC (United States), acting on behalf of investment funds and customers that it manages, reported that on February 16, 2022, it crossed above the 5% threshold of the share capital and voting rights, and held, at that date, 8.77% of the share capital and 8.73% of the voting rights.

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

- Daniel Harari holds 14.6% of the share capital and 14.5% of the voting rights;
- AIPCF VI LG Funding LP (United States) holds 9% of the share capital and voting rights;
- Artisan Partners Limited Partnership (United States), acting on behalf of investment funds and customers that it manages, Brown Capital Management LLC (United States), acting on behalf of investment funds and customers that it manages, Fidelity Management & Research Company LLC (United States), acting on behalf of investment funds and customers that it manages, Kabouter Management LLC (United States), acting on behalf of investment funds and customers that it manages, and Kempen Oranje Participaties (The Netherlands), acting on behalf of the investment fund Kempen Oranje Participaties N.V. that it manages, each hold more than 5% (and less than 10%) of the share capital and voting rights.

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

9.3 Shareholding pacts and agreements

On June 1, 2021, the Company and AIPCF VI Funding LP ("**AIP**") entered into a Stable Shareholding Agreement in connection with the contribution by AIP to Lectra of 100% of the shares issued by the company Knife Holding Corporation, the parent company of the Gerber group, under the terms of the Agreement and Plan of Merger and of the contribution agreement signed on March 25, 2021. The principal clauses of the Stable Shareholding Agreement are set out in AMF opinion ("avis") n°. 221C2808 published on October 20, 2021, on the AMF website. They relate to AIP representation on the Lectra Board of Directors, the making of major decisions, restrictions on the sale of AIP's holdings in Lectra, AIP's maximum ownership percentage of Lectra shares, the holding of registered shares, anti-dilution right, the right of first offer, and the sale of shares.

9.4 Treasury shares

At December 31, 2021, the Company held 0.02% of its own shares in treasury, solely within the framework of the liquidity agreement contracted with Exane BNP Paribas.

9.5 Granting of stock options – potential capital stock

The Shareholders' Meeting of April 27, 2018, authorized the creation of a stock option plan for a maximum of 2 million options for the same number of shares with a par value of 1 euro, in accordance with the conditions described in the report of the Board of Directors to the said meeting and in its fourteenth resolution. This authorization, given for a period of 38 months from April 27, 2018, was the basis for the options granted in 2018, 2019, 2020 and 2021 for 0.8 million shares, and expired on June 27, 2021. It will be recommended that the Annual Shareholders' Meeting of April 29, 2022, should give the Board of Directors a renewed authorization to grant stock options.

No subsidiary of the Company has opened a stock option or stock purchase plan.

9.5.1. 2021 stock option plan

The Board of Directors at its meeting on June 8, 2021 granted, in respect of the 2021 stock option plan, up to 208 441 options to 190 beneficiaries, at an exercise price of 33.50 euros per share, as follows:

- a maximum of 123,725 stock options to 36 beneficiaries, the right to exercise being conditional on presence and actual performance in 2021;
- 66,337 stock options to 134 first-time beneficiaries, the right to exercise being conditional on presence; and
- 18,379 stock options to the 27 winners of the 2020 Lectra Worldwide Championship and 2021 Lectra Awards, the right to exercise being conditional on presence.

All of the options granted concerned Group employees. The only company officer (*dirigeant mandataire social*), Daniel Harari, has held no stock options since 2000.

For individual-performance related options, the final number of options is then calculated on the basis of the percentage of achievement of the objectives set for 2021, also taking into account departures between the grant date and the end of the year. On the date of this Report, the 2021 performance calculations have been completed for all beneficiaries on the basis of the Group's consolidated financial statements, and 1,783 options out of the 123,725 options initially granted have been cancelled.

In addition, 2,780 options granted in 2021 have ceased to be valid mainly due to the departure of seven beneficiaries.

As a result, at December 31, 2021, the total number of options initially granted (208,441 options to 190 beneficiaries) had been reduced to 203,878 and the number of beneficiaries to 183. The options representing the difference between those initially granted and those actually granted lapsed on June 27, 2021, upon expiration of the authorization, given by the Board of Directors on April 27, 2018, to grant options.

The options are valid for a period of eight years from the date of granting. The right to exercise the options vests at the end of the period ended December 31, 2024 (the beneficiary being required to retain links with the Company or with one of its affiliates in the form of an employment contract or as a company officer at this date). In the event of the departure of a beneficiary before this date, all options that were granted to the beneficiary cease to be valid.

By way of exception, the right to exercise options shall be maintained in the event of the death of the beneficiary, or retirement at the statutory pensionable age in the beneficiary's country. Provided the death or retirement occurs between January 1 of the year following the grant and the end of the four-year vesting period (that is, for Plans 15j, 15k, and 15l, between January 1, 2022 and December 31, 2024) the right to exercise options shall be maintained in full for options whose vesting depends solely on presence, up to the maximum number of options calculated on the basis of the beneficiary's actual performance at December 31 of the year of grant (i.e., December 31, 2021 for the 2021 Plan), for options for which the right to exercise is also conditional on actual performance.

9.5.2. 1.1.13 Options outstanding at December 31, 2021

231,308 options granted under the different stock option plans outstanding at December 31, 2020 were exercised in 2021 and 57,779 options, granted before 2021, have ceased to be valid due to the departure of their beneficiaries or the fact that they have not been exercised.

Of the 291 persons holding options at December 31, 2021, 284 employees hold 1,036,118 options, and 7 former employees still hold 66,352 options (respective figures at December 31, 2020 were: 297, 295, and 2).

At December 31, 2021, the maximum number of shares liable to comprise the capital stock, including all new shares that may be issued following the exercise of stock options outstanding and eligible for the subscription of new shares, is 38,845,429, consisting of:

- capital stock: 37,742,959 shares;
- stock options: 1,102,470 shares.

Each stock option gives the beneficiary the right to acquire one new share with a par value of €1, at the exercise price decided by the Board of Directors on the date of granting. If all of the options were exercised, regardless of whether these are fully vested or have not yet vested, and regardless of their exercise price relative to the market price of Lectra shares at December 31, 2021, the Company's capital (at par value) would increase by a total of €1,102,470, associated with a total additional paid-in capital of €21,496,215.

Note 17.5 to the consolidated financial statements contains full details of the vesting conditions, exercise prices, and exercise dates and conditions of all outstanding stock options at December 31, 2021.

The Board of Directors' special report, as mandated under article L. 225-184 of the French Commercial Code, will be made available (in French only) prior to the Shareholders' Meeting of April 29, 2022, on the Company website (https://www.lectra.com/en/investors/shareholder-information/shareholders-meetings).

9.5.3. Summary of stock option plans

The following is the historical table of stock options granted:

Plans	**2021**	2020	2019	2018	2017	2016	2015	2014	2013
Date of the Shareholders' Meeting[1]	**27/04/2018**	27/04/2018	27/04/2018	27/04/2018	30/04/2014	30/04/2014	30/04/2014	30/04/2014	27/04/2012
Date of Board of Directors meeting	**08/06/2021**	09/06/2020	12/06/2019	12/06/2018	08/06/2017	09/06/2016	12/06/2015	16/06/2014	13/06/2013
Total number of shares available for subscription	**208,441**	837,236	364,662	370,591	399,794	608,665	581,420	687,656	836,000
Daniel Harari, Chairman and Chief Executive Officer	**0**	0	0	0	0	0	0	0	0
Starting date for the exercise of options	**09/06/2025**	10/06/2024	13/06/2023	13/06/2022	09/06/2021	10/06/2020	13/06/2019	17/06/2018	14/06/2017
Expiry date	**08/06/2029**	09/06/2028	12/06/2027	12/06/2026	09/06/2025	09/06/2024	12/06/2023	16/06/2022	13/06/2021
Subscription price (in euros)	**33.50**	18.00	22.50	22.25	28.25	14.50	13.75	8.50	6.25
Methods of exercise (when the plan comprises several tranches)	**N/A**	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Number of shares subscribed on 31/12/2021	**0**	0	0	0	11,361	207,904	173,648	267,183	277,375
Cumulative number of subscription options cancelled or lapsed	**4,563**	93,099	354,863	354,839	386,125	310,109	385,264	407,037	558,625
Subscription options remaining in force at the end of the fiscal year	**203,878**	744,137	9,799	15,752	2,308	90,652	22,508	13,436	0

(1) Date of the Shareholders' Meeting that authorized the creation of the stock option plan, used by the Board of Directors when granting stock options each year.

9.5.4. Absence of bonus shares

The Company has never submitted a plan to grant bonus shares for approval to the Shareholders' Meeting. Consequently, the Board of Directors has not prepared a special report on the granting of bonus shares as provided under article L. 225-197-4 of the French Commercial Code.

9.5.5. Share price performance and trading volumes

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

In its press release of April 15, 2021, the Company confirmed that it is eligible for inclusion in French SME ("PEA-PME") equity savings plans. As a consequence, investment in Lectra shares can be made through PEA-PME savings accounts, a scheme specifically applicable to investments in small and mid-cap companies, benefiting from the same tax advantages as the traditional Equity Savings Plan (PEA).

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

9.5.6. Transactions in shares by directors and similar persons

In accordance with article 223-26 of the General Regulation of the AMF, the following is the summary statement of transactions in Lectra shares carried out by company officers, directors, senior executives, or similar persons, during the 2021 fiscal year, as reported to the AMF and to the Company (when the total amount of transactions carried out by the person in question exceeds the threshold of €20,000):

Senior Executives *(members of the Executive Committee)* [1]	**Date**	**Nature of the transaction**	**Number of shares**	**Price** *(in euros)*	**Value** *(in euros)*
Maximilien Abadie Chief Strategy Officer	September 6, 2021	Exercise of stock options	1,927	14.50	27,942
	September 6, 2021	Sale of shares	1,927	36.00	69,372
Olivier du Chesnay Chief Financial Officer	May 27, 2021	Exercise of stock options	912	13.75	12,540
	May 27, 2021	Sale of shares	912	32.60	29,731
	May 27, 2021	Exercise of stock options	4,623	14.50	67,034
	May 27, 2021	Sale of shares	4,623	32.60	150,707
Jérôme Viala Executive Vice President	February 16, 2021	Shares donated	3,700	31.20	115,440
	February 16, 2021	Shares donated	3,700	31.20	115,440
	February 16, 2021	Shares donated	3,700	31.20	115,440
	February 19, 2021	Exercise of stock options	19,036	8.50	161,806
	February 19, 2021	Sale of shares	19,036	29.24	556,582
	March 9, 2021	Sale of shares	3,900	28.60	111,540
	May 5, 2021	Sale of shares	161	29.50	4,750
	May 10, 2021	Sale of shares	343	29.00	9,947
	May 11, 2021	Sale of shares	492	29.00	14,268
	May 12, 2021	Sale of shares	123	29.00	3,567
	May 13, 2021	Sale of shares	3,516	29.01	102,015
	May 14, 2021	Sale of shares	5,365	29.00	155,585
	May 17, 2021	Sale of shares	5,000	29.49	147,457
	May 17, 2021	Sale of shares	9,710	30.14	292,674
	August 25, 2021	Exercise of stock options	4,369	13.75	60,074
	August 25, 2021	Sale of shares	4,369	35.29	154,167
	August 26, 2021	Exercise of stock options	14,639	13.75	201,286
	August 26, 2021	Sale of shares	14,639	35.04	513,002
Persons related to **Jérôme Viala** Executive Vice President	February 16, 2021	Shares received by donation	3,700	31.20	115,440
	February 16, 2021	Shares received by donation	3,700	31.20	115,440
	February 16, 2021	Shares received by donation	3,700	31.20	115,440
	February 16, 2021	Sale of shares	217	31.17	6,764
	February 17, 2021	Sale of shares	657	30.28	19,895
	February 18, 2021	Sale of shares	2,826	28.76	81,281
	February 16, 2021	Sale of shares	218	31.17	6,795
	February 17, 2021	Sale of shares	656	30.28	19,865
	February 17, 2021	Sale of shares	2,826	28.76	81,281
	February 16, 2021	Sale of shares	218	31.17	6,795
	February 17, 2021	Sale of shares	656	30.28	19,865
	February 18, 2021	Sale of shares	2,826	28.76	81,282

(1) On November 2, 2020, the Company updated the list of senior executives and similar persons required to report their transactions in Lectra securities under article 19 of the Market Abuse Regulation. The updated list excluded certain members of the Executive Committee who did not meet the criteria set out in article L.621-18-2 (b) of the French Monetary and Financial Code. From November 2, 2020, securities transactions must be reported by the company officers (Chairman and Chief Executive Officer, and Directors) as well as by the Executive Vice President, the Chief Financial Officer, and the Chief Strategy Officer, all three of whom are members of the Executive Committee.

9.5.7. Compliance with the Transparency Directive and the General Regulation ("MAR") – regulated disclosure

The Company complies with the financial disclosure obligations of companies listed on Euronext Paris, which took effect on January 20, 2007. These obligations are spelled out in Title 2, Book II of the General Regulation of the AMF concerning periodic and continuous disclosure as supplemented by (i) AMF position-recommendation 2016-05 "Guide to periodic disclosures by listed companies," and (ii) position-recommendation 2016-08 "Guide to ongoing disclosure and management of inside information," both of which became applicable on October 26, 2016.

The General Regulation defines regulated disclosure in the form of a list of reports and information to be disclosed by companies, together with rules governing its dissemination and storage. The Company uses the services of Nasdaq Solutions International Limited, a professional information provider approved by the AMF that satisfies the criteria laid down in the General Regulation, to publish and file information with the AMF. At the same time, regulated information is published on the Company's website.

10. Share repurchase program

10.1 Current share repurchase program

The Combined Shareholders' Meeting of April 30, 2021, granted authority to the Company to trade in its own shares for a period of eighteen (18) months from the date of the said meeting, for the following purpose:

- to maintain a liquid market in the Company's shares, via an authorized investment services provider acting within the framework of a Liquidity Agreement in compliance with regulations and market practice allowed by the AMF;
- to retain or use all or part of the repurchased shares as a means of payment or exchange or otherwise within the framework of external growth transactions, in keeping with applicable regulations;
- to grant shares, notably to present and future company officers or employees of the Company and/or the Group, or to some of them, and in particular within the framework of articles L. 225-179 et seq. and L. 225-197-1 et seq. of the French Commercial Code;
- to deliver Company shares on the occasion of the exercise of rights attached to securities entailing an entitlement by whatever means to the Company's shares;
- to cancel some or all of the treasury shares thus purchased to reduce the share capital subject to the conditions provided for by law; and
- to implement any market practice as may be allowed by the AMF, and more generally, to carry out any transactions that comply with the regulations in force.

The purchase, sale or transfer of such shares may be carried out subject to the conditions provided by the AMF, by any and all means, notably on the market or over the counter, including by block trades or by the use of derivative financial instruments, at such times as may be decided by the Board of Directors or any person acting on the authority of the Board of Directors.

However, from the time of filing of an outside public tender offer for Company shares, and until expiration of the offer period, the Board of Directors is barred from implementing its share repurchase program; nor may the Company continue its execution without prior authorization by the Shareholders' Meeting.

The purchase price of the shares shall not exceed 50 euros per share. The gross maximum amount to be used in the stock repurchase program shall be 50 million euros. Both these amounts are exclusive of transaction-related costs.

This authorization may be used for a number of shares representing up to 10% of the share capital of the Company on the day of the Shareholders' Meeting held on April 30, 2021; this will be adjusted, if required, to take account of subsequent operations affecting the share capital, it being specified that when the Company's shares are purchased under a liquidity agreement, the number of shares counted for the purpose of the above-mentioned 10% threshold shall correspond to the number of these shares purchased, less the number of shares sold under the liquidity agreement during the period of the authorization. However, the number of shares purchased by the Company for the purpose of holding and subsequently delivering them as payment or in exchange for shares in an external growth operation shall not exceed 5% of the share capital. At no time whatsoever shall the Company's purchases lead to the Company holding over 10% of the shares comprising the share capital.

10.2 Transactions by the Company on its own shares in 2021

10.2.1. Liquidity Agreement

In order to promote a liquid market for the shares and stabilize the Lectra share price, the Company contracted with Exane BNP Paribas, in May 2012, to act as liquidity provider under a Liquidity Agreement, signed in accordance with regulations and market practices recognized by the AMF.

On December 27, 2018, Lectra and Exane BNP Paribas entered into a new liquidity agreement that took effect on January 2, 2019. This liquidity agreement was made following regulatory changes regarding liquidity agreements and further to AMF decision 2018-01 of July 2, 2018, and replaced the previous agreement entered into on May 11, 2012.

Under this Liquidity Agreement, in fiscal year 2021, the Company purchased 295,169 shares at an average price of €32.14 and sold 302,131 shares €32.81 respectively.

Consequently, at December 31, 2021, the Company held 7,035 Lectra shares (or 0.02% of share capital), at a par value of €1, with an average purchase price of €38.51, entirely under the Liquidity Agreement, together with 1,199 thousand euros in cash and cash equivalents.

10.2.2. Share repurchases outside of the Liquidity Agreement

The Company did not repurchase any shares outside of the Liquidity Agreement between January 1, 2021 and the date of this Report.

10.2.3. Share cancellations

The Company did not cancel any shares between January 1, 2021, and the date of this Report.

10.3 Description of the share repurchase program submitted to the Shareholders' Meeting for approval

In accordance with the provisions of article L. 22-10-62 of the French Commercial Code and article 241-6 of the General Regulation of the Autorité des Marchés Financiers (AMF) and AMF Decision 2021-01 of June 22, 2021, it will be proposed at the Shareholders' Meeting of April 29, 2022 to authorize the Board of Directors to cause Lectra's shares to be purchased, on one or more occasions, at such times as it may see fit, by any investment services provider acting on behalf of the Company in accordance with the provisions of the last paragraph of article L. 225-206 of the French Commercial Code for the purpose of maintaining an active market in the Company's shares within the framework of a liquidity contract.

The purchase price of the shares shall not exceed 80 euros (exclusive of acquisition-related costs).

This authorization may be used for a number of shares representing up to 5% of the share capital of the Company on the day of the Shareholders' Meeting held on April 29, 2022, in other words, by way of illustration, 1,880,112 shares on the basis of the share capital on December 31, 2021, allowing for subtraction of 7,035 shares held in treasury, for a maximum amount of 50 million euros, it being specified that when the Company's shares are purchased under a liquidity agreement, the number of shares counted for the purpose of the above-mentioned 5% threshold shall correspond to the number of shares purchased, less the number of shares sold under the liquidity agreement during the period of the authorization. However, the number of shares purchased by the Company for the purpose of holding and subsequently delivering them as payment or in exchange for shares in an external growth operation shall not exceed 5% of the share capital. At no time whatsoever shall the Company's purchases lead to the Company holding over 10% of the shares comprising the share capital.

Such shares may be acquired, sold or transferred in accordance with the conditions set forth by the AMF, by any means, inter alia on the market or over-the-counter, including through the acquisition or sale of blocks of shares, or through the use of derivative financial instruments, at such times as the Board of Directors, or the person acting on behalf of the Board of Directors, shall deem appropriate. It is specified that from the time of filing of an outside public tender offer for Company shares, and until expiration of the offer period, the Board of Directors is barred from implementing its share repurchase program; nor may the Company continue its execution without prior authorization by the Shareholders' Meeting.

The authorization granted to the Board of Directors would be granted for a period of 18 months expiring on October 28, 2023. It would replace and supersede the authorization previously granted by the eleventh resolution of the Combined Shareholders' Meeting of April 30, 2021.

11. Significant post-closing events

No significant event has occurred.

12. Financial calendar 2022

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

First, second, and third quarter earnings for 2022 will be published on April 28, July 28, and October 25, 2022, respectively, after the close of trading on Euronext Paris. Full-year earnings for 2022 will be published on February 8, 2023.

13. Business trends and outlook

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

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

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

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

Financial objectives for 2022

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

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

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

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

The Board of Directors
February 23, 2022

14. Additional information on the consolidated financial statements

14.1 Lectra 2020 scope

14.1.1 Orders for new systems – like-for-like

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

By product line

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

By region

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

By market

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

New software subscriptions

	Twelve Months Ended December 31						
	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	6,066	na	6,091	2,868	na	+112%	+112%
€/$ average parity	*1.18*		*1.14*	*1.14*			

14.1.2 Breakdown of revenues – like-for-like

Revenues by region

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

Revenues by type of business

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

14.1.3 Consolidated income statement - like-for-like

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

14.2 Lectra 2021 scope, which includes seven months of Gerber, five months of Neteven and three months of Gemini in 2021

14.2.1 Breakdown of revenues - at actual exchange rates

Revenues by type of business

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

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

14.2.2 Consolidated income statement - at actual exchange rates

	Twelve months ended December 31				
	2021			Changes 2021/2020	
(in thousands of euros)	Lectra 2020 scope	2021 Acquisitions[1]	**Lectra 2021 scope**	**Lectra 2020 scope**	Actual
Revenues	279,111	108,472	387,583	236,182	+64%
Cost of goods sold	(76,139)	(48,869)	(125,008)	(59,696)	+109%
Gross profit	202,972	59,603	262,575	176,486	+49%
(in % of revenues)	72.7%	54.9%	67.7%	74.7%	-7,0 points
Research and development	(25,460)	(8,522)	(33,981)	(22,689)	+50%
Selling, general and administrative expenses	(137,541)	(46,671)	(184,212)	(128,157)	+44%
Income from operations before non-recurring items	39,972	4,410	44,382	25,640	+73%
(in % of revenues)	14.3%	4.1%	11.5%	10.9%	+0.6 point
Non-recurring income	-	942	942	-	na
Non-recurring expenses	(6,452)	(617)	(7,068)	(786)	ns
Income from operations	33,521	4,736	38.256	24.854	+54%
(in % of revenues)	12.0%	4.4%	9.9%	10.5%	-0,6 point
Income before tax	32,353	3,616	35,969	23,709	+52%
Income tax	(6,798)	(928)	(7,725)	(6,131)	+26%
Net income	**25,555**	**2,688**	**28,244**	**17,578**	**+61%**
of which, Group share	**25,472**	**2,782**	**28,255**	**17,529**	**+61%**
of which, Non-controlling interests	83	(94)	(11)	49	ns
Income from operations before non-recurring items	39,972	4,410	44,382	25,640	+73%
+ Net depreciation and amortization of non-current assets	11,655	9,087	20,743	11,853	+75%
EBITDA before non-recurring items	51,627	13,497	65,125	37,493	+74%
(in % of revenues)	18.5%	12.4%	16.8%	15.9%	+0,9point
€ / $ average parity	*1.18*	*1.17*	*1.18*	*1.14*	

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

02

Non-financial Statement

02 Non-financial Statement

02 Non-financial Statement

Dear Shareholders,

This Non-financial Statement ("**NFS**") describes the approach, orientations and actions of Lectra (the "**Group**") in the area of Corporate Social Responsibility ("**CSR**"). It is an integral part of the Management Discussion and focuses on the key CSR challenges that Lectra has identified and places at the heart of its strategy as a responsible company.

The NFS is structured around the following themes:

- business model;
- CSR policy;
- methodology for non-financial reporting;
- principal social, societal and environmental challenges;
- actions conducted to address social, societal and environmental challenges;
- report by the independent third party ("**ITP**").

1. Business model

Long-term strategy, a source of value creation

In 2017, Lectra launched its Lectra 4.0 strategy, which aims to position Lectra as an indispensable player in Industry 4.0 in its market sectors between now and 2030.

To sustain this ambition, the Group has established a series of three-year strategic roadmaps.

The first strategic roadmap laid the foundations for the Lectra 4.0 strategy and was successfully completed.

In 2020, the Group embarked on its second strategic roadmap, with the objective of capturing the full potential of its new offers for Industry 4.0, while ensuring sustainable and profitable business growth. Deployment of the strategy gained momentum in 2021, most notably through the acquisition of three companies: Gerber Technology ("**Gerber**") – Lectra's historic competitor, Neteven – an e-commerce startup, and Gemini CAD Systems ("**Gemini**") – a developer of computer-aided design (CAD) software solutions for small and medium-sized fashion companies.

In the framework of the strategic roadmap for 2020-2022, Lectra has put in place, starting in 2020, a structured CSR policy, which is discussed in section 2.

Reflection on Lectra's social, societal and environmental responsibility has led to the identification of a number of challenges (mapped in section 3.5) and also opportunities for the Group.

The 2021 Non-Financial Statement marks a further milestone in outlining the challenges that Lectra is addressing in moving forward with the CSR process.

Capital

HUMAN

2,424 employees
including 478 in Research & Development

- 316 in France
- 71 in Romania
- 68 in the United States
- 10 in Italy
- 8 in Spain
- 5 in Belgium

Committed
Visionary
Insightful
Caring
Strong and shared **VALUES**

INDUSTRIAL AND SALES

61 subsidiaries*

- 1 Innovation Lab
- 1 Innovation Center
- 6 Customer experience centers
- 1 Secure, global data center
- 1 Production facility in Nouvelle Aquitaine (France)

3 acquisitions in 2021

GERBER TECHNOLOGY a LECTRA company
neteven a LECTRA company
GEMINI a LECTRA company

International roll out of **CUSTOMER SUCCESS** organization

More than 5,000 Industry 4.0 compatible cutting machines connected and monitored remotely worldwide

INTELLECTUAL PROPERTY

Strong technological assets

80 brands
23 patent families

SOCIETAL AND ENVIRONMENTAL

- Eco-design of equipment
- Eco-responsible supply chain
- Fair business practices

ENERGY CONSUMPTION

necessary for Lectra's activity

ELECTRICITY	GAS
8.7 GWh	0.9 GWh

FINANCIAL

Consolidated shareholders' equity:	400 million euros
Available cash:	130 million euros
Net financial debt:	9 million euros

GOUVERNANCE

4 committees**

AUDIT STRATEGY COMPENSATION NOMINATIONS

- Code of Conduct
- Internal rules and procedures of Lectra's Board of Directors
- Compliance policies

Operational activities

FOUR STRATEGIC PILLARS

New 4.0 services

Three strategic market sectors

Customer focused

Premium positioning

A key player in Industry 4.0 in the fashion, automotive and furniture markets, Lectra designs smart industrial solutions that help brands, manufacturers and retailers develop, produce and market their products in over 100 countries across the world.

Products & services

INDUSTRY 4.0 OFFER COMBINING

Software
Equipment
Services
Data

Results, impacts and created value

EMPLOYEES

Group payroll
156.1 million euros

France payroll
77.6 million euros

Diversity of profiles / 59 nationalities

Training >2.3 million euros

Redistribution to the employees in France
6 million euros

Listening to employees via surveys and internal meetings with the Executive Committee

Integration plans for the Gerber, Neteven and Gemini teams

COMMUNITIES AND CIVIL SOCIETY

Gender equality index
99/100

Anti-corruption compliance program
95% of employees trained

- Code of Conduct and whistleblowing procedure
- Insider trading policy
- Charter on related-party agreements

ENVIRONMENTAL IMPACT

CO2 emissions
scopes 1 et 2 (tCO2-eq)
3,722

Waste
on the **Bordeaux-Cestas** campus
320 tonnes

2021 ratings and evaluations

Gaia 76/100

ecovadis 44/100

CDP climate change — ECO-SCORE C

REVENUE

- Total revenue
  388 million euros
  (+ 64% vs 2020)
- Recurring revenue
  235 million euros
  (+ 48% vs 2020)
  94.3% of costs covered by recurring business

EARNINGS

- EBITDA before non-recurring items: 65.1 million euros
- Net income: 28.2 million euros
- Dividend: 0.36 euro per share***

CUSTOMERS

84%	Customer satisfaction score (CSAT)
71%	Super customer satisfaction score (Super CSAT)
60	Net promoter score (NPS)

SUPPLIERS AND PARTNERS

in Nouvelle Aquitaine: 26%
in France (excluding Nouvelle Aquitaine): 55%
in Europe (excluding France): 13%
in the rest of the world: 6%

- Responsible purchasing charter
- Partnerships signed with Microsoft, Arts et Métiers Acceleration, and Plug & Play
- 8 proof of concepts developed
  2 think tanks organized by the Innovation Lab
- 16 meetups with start-ups (the start-ups come to the Bordeaux-Cestas campus and present their project in front of the teams)

* : the NFS reporting scope is set out on page 54
** : a fifth committee, the RSE committee, will be created in 2022
*** : resolution submitted to the Shareholders' Meeting of April 29, 2022

Group scope before acquisitions
Group scope after acquisitions
France scope before acquisitions
NFS scope after acquisitions (China, France, Germany, Italy, Portugal, Spain, United States)

2. Corporate social responsibility policy

In 2021, the Group decided to formalize its CSR policy in order to align more closely with stakeholder expectations and to identify growth opportunities associated with social, societal and environmental considerations.

This approach is built on the fundamentals that make up Lectra's identity. It is consistent with the Group's strategic objectives. It reflects Lectra's four key values: Caring, Committed, Visionary and Insightful. And it is aligned with the value proposition for Lectra customers based mainly on digitalization and material savings.

2.1 Key components of CSR at Lectra

Lectra aims to enshrine the principles of responsibility and sustainable development at the very core of the Group's missions.

The Group's CSR policy was formally structured in 2021. It covers four priority areas for action, comprising social, environmental, human rights and ethical objectives. The actions in each area are aligned with a global frame of reference, the United Nations Sustainable Development Goals (**SDGs**).

CSR policy is organized according to three main categories: the company and employees, the offer and customers, and the ecosystem and stakeholders. This facilitates current and future initiatives, makes Lectra a more attractive company for all stakeholders, provides customers with the means to move forward with their CSR programs, and contributes to developing a virtuous ecosystem around Lectra.

2.2 Next steps

An action plan covering the four areas mentioned above was launched in 2021, but will only be reported in 2022, following completion of a number of projects.

Lectra is currently conducting a formal review of its purpose, or *raison d'être*.

The 2023-2025 strategic roadmap will include CSR commitments and quantitative objectives.

2.3 Evaluations by non-financial rating agencies

Lectra has consistently operated as a responsible company without however specifically drawing attention to the fact. Defining a more explicit, formally structured policy is a further step forward.

In parallel to the implementation of this policy, the Group now intends to call upon non-financial rating agencies to conduct regular evaluations of its social, societal, environmental and governance practices, and to be fully transparent in reporting on its results.

Following the evaluations conducted in 2021, Lectra reports the following results:

- CDP: climate change score C (most recent evaluation, August 2021), supplier engagement score B- (most recent evaluation, August 2020);
- EcoVadis: overall score 44/100 (most recent evaluation, November 2021);
- Gaïa Rating: ESG rating 76/100 (most recent evaluation, November 2021);
- ISS ESG: rating C-, score 40 (most recent evaluation, July 2021);
- Vigeo Eiris (Moody's ESG Solutions): ESG overall score 37/100 (most recent evaluation, February 2021).

3. Non-financial reporting methodology

3.1 Scope

The scope of the Group changed significantly in 2021, with Lectra's June 1, 2021 acquisition of Gerber, a major player operating in the same markets.

As a United States corporation, Gerber had a substantially different profile in social, societal and environmental matters. It was held by a private equity firm, did not publish its accounts, and therefore collected little in the way of quantified data required for the Non-Financial Statement.

Lectra has therefore decided to report only on data available for 2021, on a case-by-case basis, pending the introduction of a collection and tracking process that will allow the principal Gerber entities to be included in the Non-Financial Statement (entities located in the United States, China and Portugal).

Furthermore, Lectra made two smaller acquisitions in 2021 that also change its reporting scope, the French company Neteven and the Romanian company Gemini. Here again, some of the data required to calculate the indicators are not available at this time.

While the mapping of risks and challenges, which is updated annually, covers this broader scope ("**Group scope after acquisitions**"), indicators and numerical data are most often reported for the same scope as in previous years' Non-Financial Statements, that is, the parent company Lectra SA (the "**Company**") and seven subsidiaries (the "**NFS scope before acquisitions**"). In 2021, this scope accounted for:

- 71% of the Group's consolidated revenues and 77% of its headcount, **before** taking the acquisitions into account;
- 51% of the Group's consolidated revenues and 53% of its headcount, **after** taking the acquisitions into account.

The information for each of the eight companies in this scope is collected directly from the management teams in the subsidiary. Whenever the information reported concerns only these eight companies, it is specified that it concerns the "NFS scope before acquisitions."

Whenever other data are available, the Non-Financial Statement scope is extended to the principal entities of Gerber in the United States, China and Portugal; this is referred to as the "**NFS scope after acquisitions**".

Other indicators (inter alia for social and societal matters) are reported for the scope of the Group at January 1, 2021 ("**Group scope before acquisitions**").

The following table summarizes the principal scopes of reporting to be found in this Non-Financial Statement:

	Group scope before acquisitions (Total Group at January 1, 2021)	**NFS scope before acquisitions*** (NFS reporting scope at January 1, 2021)	**NFS scope after acquisitions**** (NFS reporting scope at December 31, 2021)	**Group scope after acquisitions** (Total Group at December 31, 2021)
Lectra	All countries	China France Germany Italy Spain United States	China France Germany Italy Spain United States	All countries
Gerber	-	-	China Portugal United States	All countries
Neteven	-	-	-	All countries
Gemini	-	-	-	All countries

* *8 companies: Kubix Lab Srl, Lectra Deutschland GmbH, Lectra Hong Kong Ltd, Lectra Italia SpA, Lectra SA, Lectra Sistemas Española SAU, Lectra Systems (Shanghai) Co. Ltd, Lectra USA Inc.*

** *13 companies: Gerber Scientific International Ltd, Gerber Scientific International Sistemas Computorizados LDA, Gerber Scientific LLC, Gerber Scientific (Shanghai) Co. Ltd, Gerber Technology LLC, Kubix Lab Srl, Lectra Deutschland GmbH, Lectra Hong Kong Ltd, Lectra Italia SpA, Lectra SA, Lectra Sistemas Española SAU, Lectra Systems (Shanghai) Co. Ltd, Lectra USA Inc.*

Finally, in a limited number of cases, and as may be relevant, some information may relate to a different scope, which, in such cases, will be specifically identified. To cite two examples, waste has been analyzed for the only production site, at Bordeaux-Cestas, in France; and the gender equality index relates only to the Company. As a reminder, all the entities of the Group, apart from the Company, are unlisted companies.

3.2 Governance of the CSR process and methods for collecting non-financial data

The CSR process at Lectra is under the direct supervision of the Chairman and Chief Executive Officer.

In February 2021, the Company appointed a Corporate Social Responsibility Director charged with deploying and structuring the Group CSR policy, as presented in section 2 of this Non-Financial Statement. The CSR policy was examined by the Strategic Committee and approved by the Board of Directors on October 27, 2021.

At the operational level, the CSR process is managed by a cross-divisional team composed of the CSR Director and members of the Industrial Operations, Finance, Legal Affairs, Human Resources, Strategy and Facility Management departments.

This team coordinates projects in the relevant areas – social, societal and environmental. It is also responsible for non-financial reporting and for responding to a range of CSR performance questionnaires.

The process for the collection, consolidation, processing and analysis of corporate social, environmental and societal information is organized as follows:

- reporting protocols are sent to the subsidiaries and departments whose data are relevant for preparing the Non-Financial Statement;
- data are consolidated;
- an independent third-party auditing firm analyzes and audits the environmental data; and
- the consolidated data are audited on-site by the independent third-party auditing firm.

Data are for the fiscal year ended December 31, 2021 and are compared to data for prior years to enable an analysis of changes over time.

3.3 Exclusions

This report sets out only the relevant information regarding the Group's activity, identified challenges, and policies implemented. In cases for which the Group does not have a specific risk prevention policy, explanations are provided.

The Group has examined the environmental challenges relating to Order 2017-1180 of July 19, 2017 and Act 2018-938 of October 30, 2018 (on balanced trade relations in the agricultural and food sector and healthy, sustainable and accessible food for all), and has concluded that the challenges relating to the war against food insecurity; respect for animal welfare; responsible, equitable and sustainable food; and the war against food waste, are not relevant to the Group, in light of its activity.

The Group considers that tax evasion mentioned in article L. 225-102-1 of the French Commercial Code does not constitute a significant risk. This is because a transfer pricing policy has been implemented to ensure remuneration of the activities in each of the countries where the Group operates. The allocation of profit is therefore managed in consideration of the challenges facing and the functions performed by the subsidiaries, with the Company being considered as the Group's entrepreneurial entity. This policy is consistent with French and international recommendations, and OECD recommendations in particular.

3.4 Methods of auditing

PricewaterhouseCoopers, which has been accredited by the COFRAC (Comité français d'accréditation), was appointed by the Company as the independent third party to audit this information for fiscal year 2021.

This Non-Financial Statement was examined by the Audit Committee at its meeting on February 23, 2022, prior to the Board of Directors meeting on February 23, 2022, which adopted its content.

3.5 Principal challenges and actions implemented in the area of corporate social, environmental and societal responsibility

As part of the risk mapping carried out in 2018 with PricewaterhouseCoopers, Lectra has identified and hierarchized its principal risks. This risk mapping is updated each year.

The main risks are described in greater detail on pages 18 to 29 of the Management Discussion.

To confirm its priority social, societal and environmental challenges, in line with stakeholder expectations, the Group initiated a new materiality analysis, with assistance from the EthiFinance agency, at the end of 2020.

The formal structuring of the CSR policy, together with the acquisitions made in 2021, notably Gerber, provided the incentive to update and expand the list of principal challenges.

The most salient change concerns the identification of compliance with human rights (including the risk of forced labor and child labor) – a challenge that previously bore little relevance for the Group – in light of subcontracted production in China for Gerber.

The other changes from 2020 relate to more recent developments in the social and environmental spheres, as diversity, inclusion and environmental digital responsibility are now identified as separate challenges for reporting. Lectra committed to these challenges starting in 2021 and has undertaken to develop policies and indicators in 2022.

The principal corporate social, environmental and societal challenges, together with the actions implemented as part of the CSR process, and the indicators for monitoring, are set out in the summary table below.

Type of challenge	Challenges identified	Actions implemented	Key indicators	Section
Principal employment challenges	*Attracting and retaining talents*	■ Annual employee performance assessment interview ■ Support for employees throughout their careers ■ Improvement in working conditions (renovation work, notably at Bordeaux-Cestas) ■ Additional opportunities for internal mobility	■ Average recruitment time ■ Percentage of departures at the initiative of employees with permanent contracts	4.1
	Developing talents	■ Lectra Academy, the in-house training center ■ Lectra Together, the induction seminar for all new Group employees ■ Sales Effectiveness and Customer Success Enablement teams to strengthen the focused training system	■ Percentage of employees having taken at least one training course in the year ■ Average number of training hours per employee having taken at least one training course	4.2
	Diversity and inclusion	■ Action plan for gender equality ■ Action plan for gender diversity in managing bodies	■ Percentage of women on the Executive Committee ■ Percentage of women in Group-level managing bodies. ■ Percentage of women in highest responsibility positions, including the local management teams	4.3
Principal environmental challenges	*Eco-design of Lectra solutions and contribution to reducing the environmental footprint of Lectra customers*	Optimizing material consumption: ■ Continuous improvement of equipment sold by Lectra to reduce waste and decrease use of consumables ■ New services to enable customers to reduce waste and decrease use of consumables ■ Development of On Demand offers designed to match production quantities to demand Energy efficiency and control of CO2 emissions: ■ Optimizing energy efficiency of equipment ■ Optimizing logistic flows in order to facilitate a low-carbon mix ■ SaaS software development methods to reduce server resource requirements ■ Remote technical support, reducing travel by employees	■ Percentage of reduction in textile cuts on a standard production cycle ■ Percentage of low carbon-footprint transport for equipment, consumables and parts	5.1

Type of challenge	Challenges identified	Actions implemented	Key indicators	Section
	Controlling the environmental footprint of Lectra activities	Energy efficiency and control of CO2 emissions: ■ Improvement of energy efficiency on the principal Group sites ■ Restrictions on travel Optimizing material consumption: ■ Sorting and recycling of waste on the production site ■ Actions contributing to biodiversity on the Bordeaux-Cestas production site	■ Change in energy consumption on Lectra sites ■ Change in CO2 emissions on Lectra sites ■ Recycling of waste on the principal production site	5.2
	Environmental digital responsibility	■ **The actions will be detailed in 2022**	■ **The indicators will be decided on in 2022**	5.3
Principal societal challenges	*Ethics and the fight against corruption*	■ Existence of a Code of Conduct, an internal communication plan, and a whistleblowing procedure ■ Annual e-learning training programs	■ Percentage of employees having taken a training course on business ethics ■ Number of alerts	6.1
	Responsible purchasing policy	■ Responsible purchasing charter ■ In relations with suppliers and subcontractors, taking into account their level of social, societal and environmental responsibility	■ Percentage of expenditure covered by Lectra's responsible purchasing charter	6.2
	Human rights (including forced labor and child labor)	■ **The actions will be detailed in 2022**	■ **The indicators will be decided on in 2022**	6.3

4. Principal employment challenges

Lectra's technological innovation and leadership over many decades is founded on the expertise of its teams. This is why the challenges surrounding the women and men who make up Lectra are crucially important. Recent acquisitions and the Group's growth have made human resources challenges even more critical.

As the challenging public health situation continued over most of the year, a number of key decisions taken reflect the determination to position the management and development of human resources at the very heart of Lectra's strategy:

- appointment of the Group's Chief People Officer to the Executive Committee;
- deployment of a new human resources information system;
- commencement of the formal structuring of a comprehensive policy to address all aspects of employee relations.

2021 was a pivotal year for the Group Human Resources Division. The Group's external growth policy involves not only a significant increase in the number of employees, but also the integration of new teams from a wide variety of geographical and cultural backgrounds.

A cultural change management project was developed in 2021 following the acquisition of Gerber and will be deployed in 2022 and 2023.

At the same time, the decision to invest in a new information system for Group Human Resources has called for the Human Resources Division to specify all the processes that support its overall policy.

The human resources teams are focused on the description and convergence of practices in the management of hiring, induction, performance tracking, skills development and career management.

The first modules of the new information system will be deployed in 2022.

Other projects that were launched in 2021 include implementation of an agreement on regular teleworking (apart from teleworking during health emergencies), the organization of employee surveys, the selection of an assessment tool to support recruitment processes, and the introduction of a co-optation program.

Now more than ever, the commitment and excellence of the organization's teams are key to Lectra's success, as evidenced in the revised mapping that places equal emphasis on:

- nurturing and developing existing talents;
- attracting and retaining the talents that Lectra will need tomorrow; and
- opening to others, through greater diversity of Lectra teams.

4.1 Attracting and retaining talents

4.1.1. Description of challenges and policies

To support its organic growth, Lectra is capitalizing on its ability to attract talents and to facilitate development of their careers within the organization, through the ambitious recruitment policy, which was paused in March 2020 but resumed in mid-2021, and through actions to improve quality of life for all employees.

Lectra's global presence and the need to be close to customers necessitate building competent teams in many countries, in challenging competitive markets.

The sector's dynamic nature and the expertise required in the profiles sought are additional factors of tension. Excessively long recruitment times would be detrimental to the organization of teams in the various countries. Similarly, high staff turnover would weaken the organization.

All figures in section 4.1 are calculated for the Group scope before acquisitions (unless otherwise specified).

4.1.2. Description of actions implemented

Maintain an ambitious recruitment policy

Hiring in the year, calculated for the Group scope before acquisitions, was as follows:

(number of individuals)	**2021**	2020	2019
Employees hired (total)	**222**	178	318
■ of which: permanent contracts	**192**	157	265
■ of which: fixed-term contracts	**49**	21	53

Despite the pandemic, the Group continued to actively recruit in the countries in which it operates. 34% of hirings were in France, 39% in Europe (excluding France), 17% in Asia-Pacific, 6% in the Americas, and 4% in Africa. The majority of these recruitments were on permanent contracts, with most fixed-term contracts relating to replacements during maternity or long-term leave. Recruitments covered a very broad range of job categories including sales force, marketing and communication, R&D, finance, maintenance, and customer relations.

The breakdown by age group reflects Lectra's decision to recruit experts with proven experience for certain positions.

Age group	**At December 31, 2021** *(% of total headcount)*	At December 31, 2020 *(% of total headcount)*	At December 31, 2019 *(% of total headcount)*
Age 29 or younger	**39%**	33%	31%
Age 30-39	**38%**	43%	43%
Age 40-49	**16%**	21%	19%
Age 50-59	**8%**	3%	5%
Over 60	**0%**	0%	2%

The scope covered is: permanent contracts only.

The table also shows the Group's commitment to recruiting young people, who account for close to 40% of hirings, and offering them stimulating assignments, a pleasant working environment and an attractive career path. With this in mind, Lectra regularly participates in school forums in France (ENSEIRB Forum, French Tech Day...) to raise its profile among young graduates, and regularly welcomes apprentices and people on professionalization contracts (42 on work/study programs in 2021) and interns (57 in 2021).

To meet these substantial needs, the Group combines the business expertise of a corporate recruitment unit, organized under the Group Human Resources Division, with local knowledge of the market, via local human resources teams and/or recruitment agencies with long-standing partnering arrangements with Lectra in countries where the Group operates.

Empowering employees to share in the company's success from day one

New employees follow an induction program, based primarily on a Lectra Together welcome seminar, during which they learn about Lectra's strategy, organization, markets and products. This is a 2 to 5-day event, depending on the employee's profile, for all Group employees around the world. It takes place in Bordeaux-Cestas — except for the past two years, when it was held remotely due to the COVID-19 pandemic.

New employees then have additional opportunities to meet and exchange ideas with their peers and management at global and local events throughout the year.

Promoting direct communication with the Group's Management team

The Executive Committee is committed to listening to employees and wishes to continue discussions on a regular basis, through several channels.

Following the acquisition of Gerber, Lectra conducted three opinion surveys:

- the first, which queried the top 300 managers at Lectra and Gerber, made a direct contribution to a cultural diagnosis to characterize the differences and similarities between the two environments just after the acquisition;
- the other two surveys, which addressed all employees at Lectra and Gerber, sought the views of all concerned on the opportunities, questions, and concerns raised by Lectra's acquisition of its historic rival.

These surveys have contributed directly to shaping the corporate communication plan for all teams, and provide input for a far-reaching action plan and training program for culture change that will be rolled out across the Group in 2022.

The Group's Management also speaks directly to all employees at town hall meetings throughout the year. These sessions provide an opportunity to convey information on results, acquisitions, and the successes achieved by various teams. These digital meetings always include a live Q&A session to allow all employees to speak up and communicate freely with the members of the Executive Committee.

The four town hall meetings held in 2021 were each attended by a live audience of roughly 1400 employees. Sessions are also recorded and made available to all members of the organization.

Developing a continuous feedback model for individual performance reviews

The commitment to encouraging dialogue between employees and management is also evidenced in the transition, starting in 2022, of the individual performance review system to a continuous feedback model, with reviews throughout the year replacing the current annual appraisal process.

Compensation and recognition

The determination to associate employees with Lectra's success is also reflected in the Group's compensation policy, which has several components directly linked to Lectra's performance:

- employees of the Company (35% of the workforce of the Group after acquisitions) benefit from a profit-sharing agreement based on financial performance criteria;
- approximately 30% of the workforce of the Group after acquisitions receive a variable compensation component, the payment of which depends on the achievement of Group, regional, national and individual objectives;
- Lectra also has a stock option plan that in 2021 covered approximately 8% of the workforce of the Group after acquisitions.

Lectra also recognizes employees' projects and initiatives through an awards system. Each year, the Lectra Awards annual internal competition recognizes twelve employees worldwide who have contributed to Lectra's success. The criteria for the awards are based on the candidates' professional qualities and how they embody Lectra's values: Caring, Committed, Insightful and Visionary.

The competition also highlights three projects each year that have won the support of employees, based on the challenge involved, the processes put in place, and the results achieved.

Promoting mobility

Lectra offers individualized career paths adapted to the needs of each employee. In addition to an extensive training program (see chapter 4.2), Lectra encourages national and international mobility whenever possible.

Of the 192 permanent positions staffed in 2021 within the Group scope before acquisitions, 25 were filled through internal mobility.

These efforts will continue in coming years, with emphasis on international mobility that will be boosted by the Group's external growth.

Offering a stimulating work environment and rewarding assignments

The Group offers a highly motivating work environment in a multicultural context, with customers in over 100 countries and teams comprising 59 nationalities (Group scope after acquisitions). It has always sought to create optimal working conditions to provide a quality professional environment for employees and enable them to be successful in their work.

In recent years, Lectra has undertaken major renovation and modernization work at its Bordeaux-Cestas premises to provide a pleasant environment to support all forms of collaborative work.

The Executive Committee is convinced that Lectra's success depends to a large extent on the fulfillment of its employees and its ability to offer them stimulating assignments with varied content.

Lectra's decision to invest substantially in innovation is reflected in the large proportion of employees dedicated to R&D (20% of the workforce of the Group after acquisitions) and in the dynamic corporate culture that is open to the outside world and constantly monitoring trends in its market areas.

Proposing a way of organizing working time that takes employee well-being into account

Employee well-being is also dependent on a work organization that respects the balance between professional and personal life, in accordance with current legislation. Lectra favors an organization of work time appropriate to each type of activity.

This organization is regularly audited and brought up to date, with assistance from local law firms, to keep up with changes in legislation.

Full-time employment contracts are the general rule and cover 95% of the Group's total workforce after the 2021 acquisitions. Part-time work is generally offered at the request of employees. No employee has an employment contract specifying night work. However, certain exceptional situations (e.g. an urgent project) may require night or weekend work or may require certain teams to be on call. In such cases, and in compliance with local regulations, these exceptions are subject to the prior approval of the Human Resources Division.

The Company signed a company-wide agreement on the organization of recourse to regular teleworking by employees, which came into effect in July 2021.

Motivating employees to be Lectra ambassadors through an incentivizing co-optation policy

Lectra's growth will call for considerable recruitments. The human resources teams and operational staff are heavily involved in the selection processes for new employees.

To address this situation, the Group introduced a co-optation, or participative recruitment, program in 2021, to leverage employees' professional and personal networks and thus enhance Lectra's attractiveness on the job market.

The program also promotes team engagement and motivates employees to act as Lectra ambassadors.

4.1.3. Indicators tracked

Average recruitment time

Recruitment time, or the time required to find a candidate from the start of the recruitment process, is an indicator that Lectra has tracked at Group level since 2018. For the Group scope before acquisitions, the average time fell from 12 weeks in 2020 to 10.8 weeks in 2021.

	2021	2020	2019
Average number of weeks between the start of a recruitment process for a permanent employee and signing of acceptance by the future employee	**10.8**	12	12

Number of departures and voluntary departure rate

Number of departures

In 2021, 258 employees left the Group (Group scope before acquisitions, for all grounds of departure), compared with 207 in 2020:

Reason for leaving	At December 31, 2021	At December 31, 2020	At December 31, 2019
Termination of employment contract at Lectra's initiative	**28**	59	43
End of fixed-term contract	**1**	26	26
Termination of employment contract by mutual agreement	**22**	25	30
Resignation	**180**	87	128
Retirement	**25**	10	14
Death not arising from work-related accident or occupational disease	**2**	0	0
Total	**258**	207	241

All departures at the employer's initiative were individual dismissals.

Voluntary departure rate

For the Group scope before acquisitions, the voluntary departure rate, after the particularly low rate of 2020, which was largely influenced by the global pandemic, reached a value of 10.9% slightly higher than in 2019.

This result illustrates the very tight labor markets in France and internationally, which are impacting many occupations, particularly those linked to digitalization of offers.

This situation requires increased attention by the Group's human resources teams.

	2021	2020	2019
Registered workforce on permanent contracts at December 31	**1,657**	1,771	1,818
Number of resignations or voluntary terminations by employees during probationary period	**180**	87	128
Percentage of departures at employees' initiative	**10.9%**	4.9%	7.0%

Absenteeism

Since 2013, the Group has been tracking an absenteeism indicator calculated for the NFS scope before acquisitions. The indicator remained moderate and was slightly lower in 2021 (3,7% compared to 4% in 2020).

4.2 Developing talents

4.2.1. Description of challenges and policies

Lectra's offer is intrinsically expertise intensive and addresses complex issues of product design, cross-functional collaboration, and optimization of customers' production processes. This offer combines multiple dimensions (software, industrial equipment, data, services, and so on) and is offered in each of the Group's three strategic market sectors—fashion, automotive and furniture.

Lectra's credibility as a partner with expertise in its customers' markets is based to a great extent on each customer's direct experience with the Group's teams.

The expertise of employees and their management teams calls for thorough knowledge of market sectors combined with perfect mastery of Lectra's offers and technologies. Developing talents and skills is therefore a fundamental challenge for Lectra.

4.2.2. Description of actions implemented

Training and induction

For over twenty-five years, Lectra has invested significantly in training for its employees. The Group's policy is to promote the career paths of top-performing employees and to support all teams in developing their knowledge and know-how.

The creation in 2005 of Lectra Academy, the Group's worldwide in-house training center at Bordeaux-Cestas, in France, was a major initiative that enabled the Company to put in place a far-reaching permanent program.

The three main challenges of Lectra Academy are: to adapt and upgrade business-related professional skills and know-how, to bolster Lectra's attractiveness to potential job applicants around the world, and to transmit Lectra's strong corporate culture to all Group entities.

The creation of the Sales Effectiveness team in 2018, and then the Customer Success Enablement team in 2021, further strengthened the existing system by facilitating targeted high-level training for employees active in sales, marketing, consulting, and customer support. This arrangement expands the broad array of training programs available to employees worldwide, whether at Bordeaux-Cestas, in the subsidiaries, or by e-learning. The teams in charge of training work directly with the managers of each department or region and draw up plans tailored to meet the specific needs of Lectra's business areas and local conditions.

The Group has also expanded its technical training for its other teams—R&D especially—in the areas of new technologies, Lectra's offer, and customers' businesses.

In France, Lectra establishes an annual skills development plan, in compliance with current regulations, that includes all training actions. The Company's employees on permanent contracts benefit from an annual performance assessment interview with their manager to measure the past year's performance and discuss training needs. This information may also be drawn from the career appraisals offered once every two years to employees in France.

Training in the form of in-person sessions was again disrupted in 2021 by the COVID-19 pandemic. To continue actions to enhance Lectra employees' skills, the training teams organized several initiatives to develop content for remote instruction, for the Group scope before acquisitions:

- virtual classrooms were set up to provide knowledge and proficiency in the Lectra offer. Over 1800 hours of training were provided, to approximately 300 members of the Customer Success teams;
- two new e-learning modules to support the 4.0 strategy were made available to all Group teams on the in-house training platform; one is an introduction the Customer Success universe and its challenges; the other covers application programming interfaces (APIs); the courses have been used by over 450 employees;
- a global community of exchange around the new Customer Success Manager specialization was created;
- advanced training pathways for sales and pre-sales teams were formally structured regarding Lectra's principal 4.0 offers including Kubix Link, Retview, Fashion On Demand, and Neteven;
- Lectra also renewed its subscription to Edflex, an external platform that includes a wide variety of educational content in English and French — articles, videos, podcasts, and MOOCs — that can be accessed by all Group teams, and is carefully selected to suit their needs, whether in the areas of cybersecurity, office automation, business training or technical training.

The figures for training reported in section 4.2 are calculated for the Group scope before acquisitions.

Investment in training

In 2021, the Group (for the Group scope before acquisitions) invested close to 2.3 million euros in training its teams (close to 2.6 million euros in 2020), representing 1.5% of the Group's payroll (2.2% in 2020).

Number of training hours

A total of 12,801 hours' training organized by the Group was followed by employees in the Group scope before acquisitions, in addition to over 420 hours' training under local programs.

	2021	2020	2019
Number of training hours	**12,801**	20,422	41,346

The number of training hours fell significantly from 2020, due to the impact of the COVID-19 pandemic and training budget adjustments to take account of the Group's continued exposure to uncertain global economic conditions in 2021. The trend was amplified by the reduction of in-person training courses, which are significantly longer on average than distance learning courses.

4.2.3. Indicators tracked

Percentage of employees who took at least one training course in the year[1]

For the Group scope before acquisitions, 1,777 employees, or 104% of the registered workforce of that scope (103% in 2020), had access to training courses organized by the Group in 2021.

	2021	2020	2019
Registered workforce on December 31	**1,715**	1,771	1,818
Number of employees having taken at least one training course	**1,777**	1,819	1,496
Number of employees having taken a training course in business ethics*	**1,635**	1,681	477
Percentage of employees having taken at least one training course	**104%**	103%	82%

* *This is a distance learning module launched in November 2018 focusing on France's anti-corruption law (the "Sapin II" Act).*

(1) *The contracts taken into account in the calculation of people trained and training hours are permanent contracts, fixed-term contracts, apprenticeship contracts and professionalization contracts. This excludes internship agreements, temporary agency assignments, and contracts with service providers. When a training course is scheduled over two fiscal years, it is counted in full for the fiscal year in which the training ends.*

Average number of training hours per employee who took at least one training course

	2021	2020	2019
Average number of training hours per person	**7.2**	11.2	27.6

For the Group scope before acquisitions, the average number of hours of training per employee who took at least one training course during the reference year fell sharply in 2021 due to the impacts of the COVID-19 pandemic on the training investment.

4.3 Diversity and inclusion

4.3.1. Description of challenges and policies

For nearly fifty years, Lectra has been committed to a policy of openness, inclusivity, and diversity that recognizes and welcomes everyone.

Diversity of backgrounds is both an opening onto the world and a reflection of the society in which the Group operates. The broad range of experiences and personal histories is what nurtures a unique wealth of skills and ensures that we can maintain our inspired leadership on markets that are in direct contact with the pulse of a rapidly changing world.

4.3.2. Description of actions implemented

Anti-discrimination action

Lectra, whose teams operate in 45 countries (for the Group scope after acquisitions), values diversity at every level and rejects all forms of discrimination between people, notably on grounds of gender, age, disability, religion, ethnic origin, social origin, or nationality. This principle ensures fair treatment in terms of equal career opportunities and equal pay.

Equal treatment between women and men

At December 31, 2021, women represented 36% of the headcount of the Group after the acquisitions, primarily due to the high proportion of engineering positions that require higher education in fields in which women are structurally underrepresented.

While the figures at December 31, 2021 include the impact of the acquisition of Gerber, it is noteworthy that the gender ratio is unchanged, due to the same issue of engineering positions in similar technological environments.

Gender	**At December 31, 2021** *(% of total headcount)*	At December 31, 2020 *(% of total headcount)*	At December 31, 2019 *(% of total headcount)*
Female	**36%**	**35%**	35%
Male	**64%**	**65%**	65%

The distribution of employees by age group is as follows:

Age group	**At December 31, 2021** *(% of total headcount)*	At December 31, 2020 *(% of total headcount)*	At December 31, 2019 *(% of total headcount)*
Age 29 or younger	**9%**	**10%**	11%
Age 30-39	**26%**	**28%**	29%
Age 40-49	**28%**	**30%**	29%
Age 50-59	**27%**	**27%**	27%
Over 60	**10%**	**5%**	4%

Lectra is committed to full equal treatment in hiring and career management.

The Company has an annual action plan to promote gender equality in the workplace based on clear, precise, operational criteria; the plan sets out the improvement objectives for the coming year and the actions required to achieve them.

Comparisons of compensation between women and men are calculated for the Group scope after acquisitions, excluding the company officer (dirigeant mandataire social) of the parent company.

Even though a comparison of the raw data is subject to numerous biases, due in particular to cultural differences between the different regions of the world, it is observed that the average compensation (fixed plus target-based variable) is 17.2% lower for women than for men. This is much smaller than the average gap observed in many international companies. Still, it is larger than the previous year (11.5%) owing to the Group's acquisitions in 2021.

A focus on the 100 highest compensation packages in the Group following the acquisitions, however, indicates a better performance, in that the average compensation reduced to 3.3%.

In compliance with the French Act of September 5, 2018 (on "freedom to choose one's future career"), which aims in particular to eliminate the pay gap between women and men in France, the Company's overall score on the gender equality index was 99/100 (reference year 2020), placing it among the highest rated companies in this respect; this underlines Lectra's constant attention to this matter over the years.

Diversity policy in the Group's managing bodies

Since 2020, the gender diversity policy that was already in place for the members of the Board of Directors has been supplemented by a proactive, ambitious diversity policy for the Group's managing bodies.

The managing bodies of the Group, following the acquisitions, comprise the members of the Executive Committee plus the senior executives (Senior Vice President, Vice President), that is, 66 men and women of 20 different nationalities. They account for 2.8% of the total headcount and include 16 women (24%) and 50 men (76%), compared to the Group's overall gender breakdown (36% women and 64% men).

On December 31, 2021, the Group's Executive Committee consisted of 17 members, of which 5 were women, which corresponds to 29% of its members; this is significantly higher than the average 25% for SBF 120 companies published on October 25, 2021 on the website of the French Ministry for Gender Equality, Diversity and Equal Opportunities (the results of the 8th edition of the awards for female representation on corporate decision-making bodies of SBF 120 companies in 2020).

The action plan for gender diversity in management bodies saw several concrete initiatives in 2021:

- rollout of actions to raise awareness of gender stereotypes and sexist behavior;
- focus on female employees, with interviews in France broadcast on the Lectra Live intranet site for all teams across the Group;

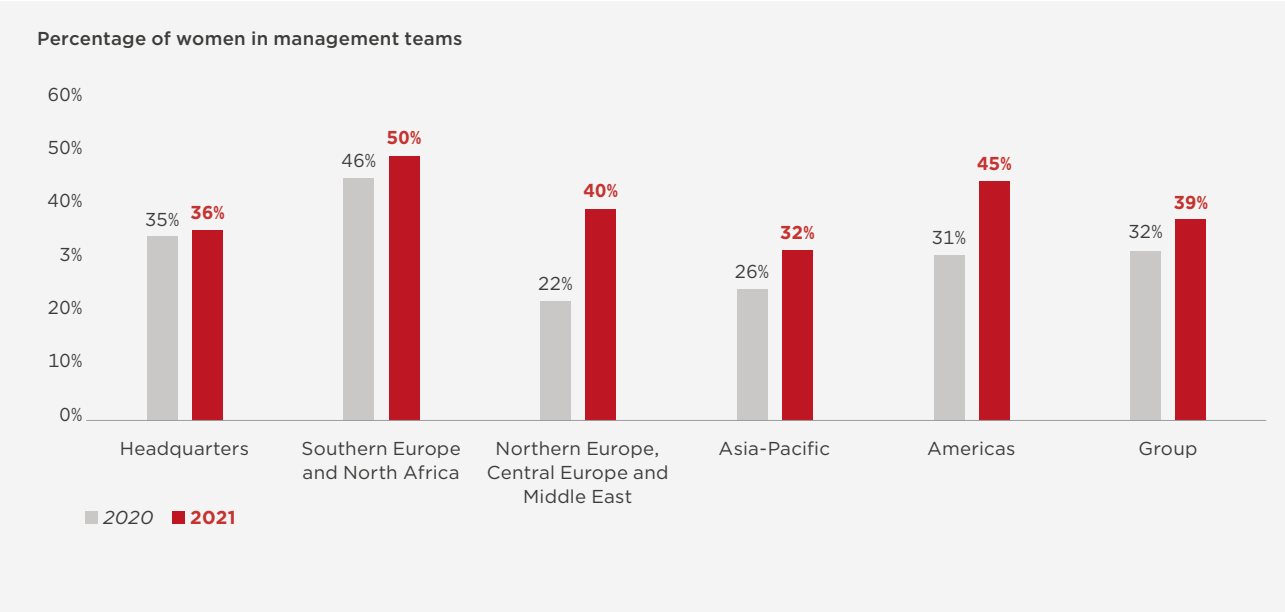
- launch of a project to completely renew the iconography used in the Group's communications, with the aim of going beyond gender balance to a more inclusive representation of the reality of society. The first white paper (marketing resource for generating leads) was approved for the footwear market in late 2021;
- strict gender-neutrality rule for all recruitment offers throughout the Group;
- systematic presentation of candidates of both sexes when recruiting for Executive / Senior Vice President / Vice President positions;
- development of a human resources axis to provide support for all parents of young children, with labor negotiations in 2021 focusing in particular on the opening of daycare slots; which is expected to be implemented in 2022 for France.

The gender gap in Lectra's managing bodies nevertheless shows a 12% shortfall in female representation. Lectra aims to raise the gender mix in its managing bodies to the same level as in the Group as a whole, by the end of 2025.

Gender diversity in the Group's highest responsibility positions

Beyond the Group-level managing bodies, Lectra is also attentive to gender diversity for the 10% of positions with the highest responsibility, including in the local management teams (220 employees, making up over 8% of the total workforce).

Women accounted for 39% of the 10% of positions with the highest responsibility; this proportion is similar to the Group as a whole and slightly higher than a year before.



4.3.3. Indicators tracked

Anti-discrimination action

Alongside the principles of fair treatment and the rejection of all forms of discrimination already in force at Lectra, a more comprehensive review of the subject is underway in order to develop a structured approach. Lectra does not have a relevant indicator at this time.

Gender equality

Indicator	Reference	**At December 31, 2021** *(% of total headcount)*	At December 31, 2020 *(% of total headcount)*	At December 31, 2019 *(% of total headcount)*
Percentage of women (Group scope after acquisitions)	*% total Group headcount*	**36%**	35%	35%
	On Executive Committee	**29%**	32%	-
	In Group-level managing bodies	**24%**	26%	-
	In highest level positions, including local management teams	**39%**	32%	-

5. Principal environmental challenges

Lectra's purpose is to provide customers with optimal solutions to create, develop and manufacture products with flexible materials (fabrics, leather, and synthetics).

While the environmental impact of the Group's own operations is essentially limited, customers face a major challenge regarding the entire life cycle of the materials they use.

The Group's greatest direct environmental responsibility lies in reducing the environmental footprint of its solutions (software, equipment, data and services) over their entire life cycle. Furthermore, as a responsible business operator, the Group is working to reduce the impact of its own activities.

The growing importance of new cloud-based offers now raises the issue of digital responsibility in the Group's activities, essentially from the environmental standpoint.

The three major environmental challenges for Lectra are accordingly:

- eco-design of Lectra equipment and contributing to reducing the environmental footprint of the Group's customers;
- controlling the environmental footprint of the Group's activities; and
- environmental digital responsibility.

5.1 Eco-design of Lectra equipment and contributing to reducing the environmental footprint of Lectra customers

5.1.1. Description of the challenges and policies

Lectra solutions have always focused on efficiency, which is located at the intersection of economic and environmental considerations.

Two of the most fundamental aspects of the value proposition, digitization of processes and optimization of material consumption, enable Lectra customers to limit their impact on the environment at all times, in each production cycle, while also raising their productivity.

A more comprehensive, increasingly structured approach to the eco-design of Lectra solutions will lead to continuing efficiency gains for customers, while also improving the environmental performance of the solutions themselves. Eco-design starts with a comprehensive quantified assessment over the entire life cycle of the offer, in order to identify the most impactful areas for future improvements.

5.1.2. Description of actions implemented

For many years, Lectra has focused its research and development efforts on covering the entire lifecycle of its cutting equipment and its software, including design, manufacturing, use, and end-of-life. Engineers in the design department are developing breakthrough functional innovations that move beyond market practices and file several patent applications each year. The performance of new equipment, in each phase of the life cycle, is measured and improved with each new generation of equipment. In 2021, Lectra conducted a diagnostic study into eco-design with a specialized consulting firm and support from the French government's Agency for Ecological Transition (ADEME); the aim was to quantify all the environmental impacts of Lectra's solutions and accordingly to identify potential new eco-design drivers and actions.

In addition to expanded training in eco-design for Lectra's teams, efforts included a complete life cycle analysis of the top-selling Vector range.

The methodology is based on ISO 14040 and ISO 14044, and comprises the following four interdependent phases:

- definition of goals and scope of the study, including definition of the functional unit: "Cutting textile patterns, 8 hours a day for 12 years, using a cutting head with vibrating blade";
- collection of data to establish the life cycle inventory of the product system studied, that is, all elementary input and output flows between the product system and the environment;
- modeling the data, that is, assessing the impact of the life cycle inventory;
- interpretation and communication of the results, to quantify the environmental impact using indicators for flows and potential impacts on air, water, and other resources. These studies have identified some initial approaches to improving the ecological quality of Lectra's equipment, and will contribute to developing a global eco-design strategy aimed at limiting the environmental impact of Lectra's equipment over its life cycle.

The efforts also confirmed the priority given to Lectra's long-standing commitments to reducing material consumption and CO2 emissions.

Optimizing material consumption

a. Reducing customers' waste

Lectra contributes to reducing waste produced by its customers in their design and cutting processes.

The entire Lectra offer thus contributes to optimizing material consumption.

In the design phase, Lectra's software solutions enable customers to optimize raw materials usage and reduce the number of prototypes, while improving logistics flows and thereby reducing waste of products not consumed in the process.

Optimizing material consumption is a key part of Lectra's cutting room offers and represents a major competitive advantage. Lectra continues to develop increasingly efficient equipment. More specifically, the software algorithms that determine the position of pieces to be cut are continually improving fabric yields. Along the same lines, increasingly intelligent blade guiding systems enable highly precise cutting with zero buffer between parts, thus reducing scrap. For leather, optical systems analyze the quality of hides to limit the number of pieces scrapped due to visual defects.

Lectra has gone even further, with its latest Fashion On Demand by Lectra and Furniture On Demand by Lectra offers; these operate with the new-generation Virga single ply fabric cutting solution to enable large-scale on-demand production and to match production to the exact needs of end customers. Clothing and furniture are no longer produced in advance but only when purchased by the end customer, reducing the risk of unsold goods and therefore waste. These products are easily customized or even made to measure.

Lectra's offer of 4.0 services uses collected data, artificial intelligence and the expertise of Lectra teams to optimize customers' usage, maintenance and the replacement intervals for parts subject to wear and tear, thus reducing the overall material footprint.

b. Optimizing resource consumption

Lectra equipment is designed to minimize raw material usage and to permit the use of recycled materials whenever technically feasible. The equipment is compliant with the European Union's REACH (registration, evaluation, authorization and restriction of chemicals) and conflict minerals regulations.

Lectra also improves its equipment to reduce the need for consumables. For instance, Virga cuts fabric directly, eliminating the need for the plastic or paper that was used in previous generations. In addition, the cutting blades recently launched on the market have a lifetime several times longer than previous blades.

Lectra works continuously to enhance the reliability of its equipment while ensuring maintainability over periods from ten to twenty years. An additional benefit of 4.0 services is the optimization of maintenance and the replacement intervals for parts subject to wear and tear, thus reducing the overall material footprint of changes that are no longer required.

Energy efficiency and control of CO2 emissions

a. Reducing customers' energy consumption

In terms of energy consumption, starting many years ago, Lectra has generalized the use of premium-efficiency IE3-class motors on its equipment, ensuring efficiency gains on the order of 2% compared to IE2 versions.

In addition, Lectra supports customers in optimizing the overall efficiency of its equipment by optimizing settings and appropriate use of consumables that significantly reduce energy consumption.

b. Reducing CO2 emissions

Lectra has identified three priority areas for reducing CO2 emissions.

For its cloud-based software offers marketed in SaaS mode, Lectra has implemented developments that optimize computing times and server resource requirements, thus reducing the associated environmental footprint.

To reduce supply chain related CO2 emissions, Lectra has introduced an optimization plan that includes (i) sourcing certain parts from local suppliers, (ii) forward stocking on continents or in regions where customers are located, and (iii) giving priority to low-carbon modes of transport such as maritime, inland waterway and rail, rather than road or air.

Lectra's 4.0 services facilitate remote diagnostics that reduce the environmental footprint associated with travel. As a result of the full-scale rollout of remote intervention methods for nearly all support and maintenance operations, combined with the development of highly detailed video tutorials, over 50% of interventions in 2021 were carried out remotely.

5.1.3. Indicators tracked

There are currently no international standards defining an operating cycle for flexible material cutting equipment that would allow the definition of standardized material yield. Nonetheless, by optimizing the cutting area, the marker-making software and equipment developed by the Company reduce the volume of unused material.

Equipment	Production of textile scrap 2021 vs. 2020	Production of textile scrap, 2020 vs. 2019
Virga	-0.9%*	-3/-6%*

(*) indicator calculated on the basis of simulations on over 100 typical markers. The reported gain relates to 2020 and 2021 improvements in the marker algorithms, and to an innovative patented method for managing ends of rolls (2020 improvement over 2019 for ends of rolls).

The environmental performance of the logistics for Lectra equipment, consumables and parts is tracked in terms of changes in tonnage per category of low-carbon transport (maritime, inland waterway and railways) or other means (road and air). In 2021, the increase in volumes is primarily due to the increase in activity (Group scope before acquisitions).

Means of transport	**2021** *(tonnes)*	2020 *(tonnes)*	% change 2021/2020
Maritime	**1,935**	1,209	+60%
Air	**259**	218	+19%
Road	**2,135**	1,651	+29%
Air Express	**67**	64	+5%
Total	**4,396**	3,142	+40%
Percentage maritime	**44%**	38%	+6%

5.2 Controlling the environmental footprint of Lectra activities

5.2.1. Description of the challenges and policies

While less significant than the lifecycle impact of its equipment, the Group's internal activity also has an environmental impact.

To combat climate change, and in keeping with its DNA, Lectra has undertaken to reduce its CO2 emissions and waste; this reduction is increasingly important to customers and shareholders, who now consider the Group's environmental impact in making their business and investment decisions. (See non-financial ratings, section 2.3).

The main focus of energy efficiency and waste reduction is Lectra's technology campus in Bordeaux-Cestas, the only production site, and the only facility that the Group owns. The campus houses a third of the workforce and accounts for over half the building area occupied by Lectra teams. The 70 other locations are offices rented by Lectra where the main challenge is to implement sound environmental practices.

5.2.2. Description of actions implemented

Lectra has set up an Environmental Management System (the "**EMS**") involving the Group's main business divisions. Its purpose is to detect and analyze any new environmental risks, and then to define and implement the appropriate action plan.

The EMS is implemented through a methodology defined on the basis of the requirements of the ISO 14001 standard. It is headed by a committee of experts that initiates and oversees the action plans. Performance is measured using indicators and audits, the results of which are reported to Lectra's Executive Committee. Finally, a committee of ambassadors promotes best practices and the actions put in place to all Lectra employees; it also collects and processes suggestions and ideas for improvement from personnel throughout the Group.

Lectra's activities in the area of design, assembly, sales and services have impacts on resource consumption, waste generation, energy consumption and CO2 emissions.

Key areas covered by EMS actions include:

- eco-responsibility of the supply chain and Lectra's own production operations;
- eco-responsibility for Lectra's infrastructures, particularly in terms of energy consumption, water consumption, and waste treatment;
- eco-responsibility for business travel by employees;
- employee involvement and training in environmental challenges.

Finally, the Company contributes to preserving biodiversity through initiatives on the technology campus in Bordeaux-Cestas. The four hectares of green and wooded areas are a showcase for employees and visitors alike. The campus features a nature trail with flora and fauna, including beehives, insect enclosures, and sustainably managed green spaces.

Optimizing material consumption

a. Waste reduction, sorting and recycling

The Group's office activities are not a major source of waste. However, all employees are focused on waste reduction and recycling.

Production activity at the only production site of Bordeaux-Cestas generates higher volumes of waste than offices; Lectra has implemented a specific action plan intended to significantly reduce its own waste production and to recycle the waste produced in the course of its activity.

Several initiatives have been undertaken at the Bordeaux-Cestas site:

- cooperation with suppliers to optimize the packaging of purchased components by working on types of packaging, and also by seeking to develop reusable packaging;
- reduction of packaging for equipment and parts delivered to Lectra's customers;
- elimination of plastic consumables for lunch and coffee breaks;
- reducing paper usage, e.g., through digitization of contracts and invoices;
- establishing a partnership with a specialized contractor to manage all selective waste collection and recycling, in particular for wood, metals, paper and cardboard, plastic, and glass, or separate treatment for special waste;
- installation of recycling containers for office paper in all locations in France.

100% of waste at Bordeaux-Cestas is now sorted.

b. Reducing water consumption

Water consumption at Lectra is exclusively connected with office activities and watering green spaces on the Bordeaux-Cestas campus.

Water use in office areas, primarily for restrooms, has been reduced by installing dual flush systems in all facilities. In addition, Lectra decided in 2021 to install a system to use rainwater for a set of restrooms; it is estimated that this could save up to 1,000 cubic meters of municipal water each year.

Green areas are watered from a well; a programmable controller reduces water usage by adjusting to weather conditions.

Lectra also chose to install parking areas at the Bordeaux-Cestas site with permeable surfaces to facilitate vertical infiltration of rainwater.

Energy efficiency and control of CO2 emissions

a. Energy efficiency

In addition to best practices shared with all Lectra employees, an annual energy improvement plan for the Bordeaux-Cestas industrial site, which accounts for a major share of energy consumption, is prepared with support from EDF to identify and implement actions to reduce consumption.

This plan involves several main actions.

The first action is building renovation. Lectra implemented a five-year plan (2016-2020) to renovate 75% of the 32,000 square meters of the site's buildings, to bring them up to the highest standards in the areas of thermal insulation, HVAC, and very low energy lighting solutions. This plan has been extended for an additional three years in order to renovate 100% of the site. In 2021, Lectra committed 2 million euros to totally renovate an additional 1000 square meters of office building facilities.

The second action focuses on a central building management system (BMS) to control all HVAC and selected high energy consumption facilities. The aim is to optimize building temperatures and air change rates based on seasonal and daily variations. 75% of facilities had been connected by the end of 2021. In addition, electricity meters have been installed and connected to the BMS and now measure the consumption of each building in order to fine-tune the energy improvement actions.

The third action involves replacing some technical facilities by more energy-efficient machinery. In 2022, the air conditioning flows for server rooms will be redesigned to inject captured heated water into the office heating circuits.

Lectra has also signed an engineering design agreement with TotalEnergies and plans to cover between 10 and 15% of consumption at the Bordeaux-Cestas site by producing its own electricity from solar panel canopies.

The ultimate objective of this action plan is to reduce the industrial site's energy consumption by 30% in 2030.

b. Reducing CO2 emissions

Under its objective of reducing its CO2 emissions, Lectra carries out an annual carbon assessment. This includes greenhouse gas (GHG) emissions, which are divided into three categories: direct emissions, energy-related indirect emissions, and other indirect emissions.

Nearly all direct GHG emissions relate to fuel consumption for the vehicle fleet. In 2020, the Company modified its corporate car policy to privilege the use of 100% electric or hybrid cars. In two years' time, the average CO2 emissions per vehicle in the fleet has been reduced by 18% and fell from 105g/km to 87g/km in 2021 (France scope). The Bordeaux-Cestas and Paris sites are equipped with charging stations for electric vehicles.

Most indirect energy-related GHG emissions concern electric power consumption. As Lectra is working to improve its energy efficiency, and most of its electricity consumption is in France, where nuclear accounts for the largest share of the power mix, this category of emissions remains limited.

For other indirect GHG emissions, the Company has several plans of action. For commuting between home and work, the introduction of one day's teleworking per week in 2021 reduced emissions by a fifth. Lectra has also adopted a flexible working hours system for employees, allowing them to avoid rush hours and traffic jams that cause significant CO2 emissions, and facilitating car-pooling for work. Facilities are in place to encourage sustainable mobility and the use of electric vehicles.

Business travel is subject to the Group's travel policy, which promotes the use of videoconferencing and, if that is not feasible, rail or other environmentally friendly means of transport. Travel was also significantly reduced by COVID-19-related restrictions.

As mentioned above, work on eco-design also addresses emissions related to incoming and outgoing freight, with particular focus on the sources of raw materials, and reducing their usage. In addition, the Group's purchasing policy, through its responsible purchasing charter, seeks to privilege shorter supply channels.

5.2.3. Indicators tracked

*Waste at Bordeaux-Cestas site**

Type of waste	2021 (tonnes)	2020 (tonnes)	2019 (tonnes)	2018 (tonnes)
Wood	**157**	134	168	232
Metals	**38**	62	46	69
Paper, cardboard	**45**	43	41	65
Plastics	**0.5**	0.4	13	17
Non-hazardous industrial waste	**71**	98	93	123
Municipal waste	**4**	6	16	33
Special waste	**4**	4	5	6
Glass	**0**	0	0	1
Total	**320**	347	382	537

* *Waste levels fell again in 2021. Despite a significant rise in production, actions to reduce packaging have been effective, with the additional benefit that optimized sorting has led to a reduction in non-recyclable waste.*

Water consumption at Bordeaux-Cestas site

Source	2021	2020	2019	2018
Municipal water (m^3)	**4,602**	4,733	6,500	n/a
Well water (m^3)	**3,060**	6,525	6,481	n/a

*Energy consumption and CO2 emissions for NFS scopes before acquisitions and after acquisitions**

Energy type	2021 NFS scope after acquisitions	2021 NFS scope before acquisitions	2020	2019	2018
Electricity (GWh)	**8,7**	**5,6**	5.4	6,1	6,3
Gas (GWh)	**0,9**	**0,5**	0.3	0.42	0.55
CO2 emissions (tCO2-eq)	**3,722**	**1,692**	1,108	**n/a**	n/a

* *Energy consumption is mainly electricity relating to the use of tertiary equipment; a number of action plans have resulted in a significant reduction in consumption.*

5.3 Environmental digital responsibility

5.3.1. Description of challenges and policies

Far from being merely virtual, the digital world is exerting significant pressure on natural resources and already accounts for a significant - and exponentially growing - share of the world's energy consumption.

Behind the online and cloud-based services that Lectra deploys for customers, there are datacenters that store the data and run the algorithms required for Lectra's 4.0 strategy offers to perform properly.

These datacenters are hosted by operators specialized in providing cloud services.

Lectra also has its own datacenter for certain in-house applications.

5.3.2. Description of actions implemented

Corporate digital responsibility is an emerging issue that is likely to be increasingly important in the future. The Group has therefore identified this as a principal challenge, and reflection on addressing it has begun.

5.3.3. Indicators tracked

Appropriate indicators to track server energy performance will be defined in 2022.

6. Principal societal challenges

Lectra has always placed ethics and respect for values such as integrity, probity and transparency at the heart of its business conduct.

Over the years, it has established a strong culture based on fair practices and respect for fundamental values in its interactions with all stakeholders.

Up until June 2021, through its subcontracting chain that was short, well controlled, overwhelmingly located in France and to a large extent regional, the Group had only limited exposure to the risks of human rights violations, or human rights matters in general; the challenge had therefore been considered not pertinent.

However, the expanded scope following the acquisition of Gerber now requires examining a new subcontracting chain located in Asia, with heightened vigilance regarding the issues of forced labor and child labor.

Therefore, the Group now identifies three main societal challenges associated with its reputation and its business activity:

- ethics and the fight against corruption;
- responsible purchasing policy;
- respect for human rights.

6.1 Ethics and anti-corruption measures

6.1.1. Description of challenges and policies

Lectra is firmly committed to the highest ethical standards, recognizes the trust that customers have placed in it for decades, and is aware of the extremely negative impact that an ethical breach could have on its image. This risk is identified in the risk mapping exercise.

In addition, some of the Group's activities take place in countries identified by Transparency International, the non-governmental organization, as being at risk.

The Group accordingly implemented an extremely robust anti-corruption system several years ago and has constantly worked to strengthen it.

6.1.2. Description of actions implemented

Lectra's commitment to business ethics is evidenced, for instance, in its three anti-corruption instruments:

- the Code of Conduct;
- the whistleblowing program;
- the annual program of internal communication and training in business ethics.

These instruments were developed in parallel with a risk mapping exercise conducted by an outside consultant that focused specifically on corruption, which made it possible to identify the principal challenges and areas for improvement.

Code of Conduct

The Code of Conduct, with an introduction by the Chairman and Chief Executive Officer, formally sets out the Group's policy in the area of fighting corruption and influence peddling.

It forbids Lectra's employees:

- from using the Group's funds or assets for bribes, kickbacks, or other similar payments that are likely to benefit third parties; and
- from exchanging gifts or invitations in order to encourage or influence the decision of a customer, partner, supplier or Group employee.

The Code of Conduct includes information on the implementation of the policy, as well as examples of possible cases; it serves as a reference for all employees in the Group and guides their behavior and interactions in their activities. It also sets out the whistleblowing procedure and how it operates.

Whistleblowing program

The whistleblowing program meets the requirement that companies must enable all employees to report illegal conduct.

It exceeds the scope of fighting corruption and influence peddling by including:

- any behavior or situation contrary to the provisions of the Code of Conduct;
- any crime or other offense;
- any serious and apparent violation of an international commitment duly ratified or approved by France; a unilateral action undertaken by an international organization on the basis of such a commitment; or laws and regulations; and
- any threat or serious danger to the public interest.

Deloitte has been appointed to manage the whistleblower reporting platform.

Each employee having personal knowledge of reportable information is able to make a report confidentially or anonymously, depending on his or her country of origin.

A committee comprising the Chairman and Chief Executive Officer, the Executive Vice President, the Compliance Officer and, depending on the nature of the alert, the member of senior management responsible for the area covered by the report, examines each alert, initiates any investigation and decides on the action to be taken, including sanctions up to and including dismissal or legal proceedings, where necessary.

There were no whistleblowing alerts in 2020 or in 2021.

Annual program of internal communication and training in business ethics

To ensure the effective deployment of this program, Lectra has put in place the following resources:

- a dedicated page on the Group's intranet containing all the documents, including the Code of Conduct, the whistleblowing procedure and practical information enabling each employee to access the content of the system at any time; and
- a compulsory e-learning module, with a test to ensure proper understanding of the system, with the following main educational objectives:
  - to understand what corruption and influence peddling mean;
  - to understand the penalties for corruption, and an employee's obligations;
  - to understand how to express concerns or report risky situations; and
  - to recognize and avoid the risk of corruption and understand how to react to the risks of corruption.

For sales teams, Lectra has had in place for many years a strict governance, supervision and control procedure for negotiating and executing contracts, and has adapted its contractual clauses to reinforce ethical considerations.

Finally, in 2020, the Group undertook a comprehensive review of its contractual relations with its network of agents in order to harmonize and strengthen its ethical requirements, and to standardize practices throughout the Group, across all territories.

6.1.3. Indicators tracked

1,635 employees, or 95% of the registered workforce (Group scope before acquisitions), took a training course in business ethics organized by the Group in 2021.

	2021	2020	2019
*Registered workforce on December 31**	**1,715**	1,771	1,818
*Number of employees having taken a training course in business ethics***	**1,635**	1,681	477
Percentage of employees having taken a training course in business ethics	**95%**	95%	26%

** The contracts taken into account in the calculation of people trained and training hours are permanent contracts, fixed-term contracts, apprenticeship contracts and professionalization contracts. This excludes internship agreements, temporary agency assignments, and contracts with service providers. When a training course is scheduled over two fiscal years, it is counted in full for the fiscal year in which the training ends.*

*** This is a distance learning module launched in November 2018 focusing on France's anti-corruption law (the "Sapin II" Act).*

6.2 Responsible purchasing policy

6.2.1. Description of challenges and policies

Lectra works with a network of subcontractors and outside suppliers that play an essential role in the Group's business. A responsible purchasing policy has been implemented:

- to foster innovation and ensure premium quality products and services, in keeping with the Lectra 4.0 strategy;
- to satisfy its customers' demand, by moving towards sustainable products or services;
- to contribute to the CSR process and to the achievement of the United Nations Sustainable Development Goals;
- to reduce social and environmental impacts;
- to improve economic performance and strengthen competitive advantage; and
- to improve the quality and efficiency of relations with suppliers.

A deficiency in Lectra purchasing would entail a risk that could potentially affect the Group's reputation.

6.2.2. Description of actions implemented

Lectra purchasing activities are managed by specialized teams and structured processes that ensure a high level of overall performance, from sourcing through delivery of products and services.

The Company first issued a Responsible Purchasing Charter in 2011, in order to share its CSR policy with suppliers and service providers. The charter includes the following commitments:

- to select innovative suppliers taking total costs into account;
- to promote local subcontracting;
- to establish long-term relationships based on trust;
- to ensure financial fairness;
- to require that suppliers take CSR into account in their organizations and their own subcontracting, particularly with regard to labor practices, working conditions and respect for human rights.

This charter is shared and approved by the parties; periodical evaluations and indicators are used to monitor compliance with commitments. Continuous improvement plans are also established to further develop business relationships.

In 2021, the Company further accelerated its initiatives with several sustained actions:

- CSR challenges are henceforth taken into account by a continuous improvement expert, to support suppliers in their own CSR progress initiatives;
- a CSR indicator is included in the new Supplier Relationship Management (SMR) system; and
- 80% of the purchasing team members have received training in responsible purchasing.

Finally, the Company took another step forward by signing the Responsible Supplier Relations Charter put in place by the French National Procurement Council and the "Business Mediator." The Company wished to demonstrate its exemplary position by adhering to the Charter's ten commitments and formally confirming its determination to pursue win-win partnerships with suppliers.

In 2022, Lectra aims to deploy its Responsible Purchasing Charter with the suppliers of all companies that have joined the Group.

6.2.3. Indicators tracked

The Group's business activities rely on relationships with an international network of over 900 suppliers and subcontractors. The Company favors partnerships close to its Bordeaux-Cestas production site to reduce its carbon footprint, and relies on partners who conform to environmental and labor standards that ensure a high level of performance and integrity.

The Company tracks an indicator on the geographic location of its subcontractors in its Lectra France scope, which covered 100% of production-related purchasing prior to the acquisition of Gerber.

Location of suppliers	**2021** *(%)*	2020 *(%)*	2019 *(%)*	2018 *(%)*
Nouvelle Aquitaine	**26**	29	29	30
Rest of France	**55**	52	53	51
European Union (excluding France)	**13**	13	13	14
Rest of World (mainly Asia and USA)	**6**	6	5	5

The Company also tracks the percentage of suppliers that have validated the responsible purchasing charter.

Lectra purchasing	**2021** *(%)*	2020 *(%)*
Suppliers	**88**	n/a
Purchasing amount covered	**82**	n/a

6.3 Human rights (including forced labor and child labor)

6.3.1. Description of challenges and policies

Consistent with its ethics, core values and Code of Conduct, the Group has always striven to apply the provisions of the fundamental conventions of the International Labour Organization (ILO), and the provisions of human rights conventions, together with applicable regulations in each country, and it demands that employees comply strictly with its internal procedures and these regulations. It takes particular care to ensure that all employees apply clear and transparent management principles in the conduct of its business.

The Group also urges its subcontractors and suppliers to uphold the principles of eliminating illegal, forced or child labor, and to enforce compliance with applicable legal provisions in regard to the minimum wage, health and safety.

The Group has never been convicted of corruption, non-respect for freedom of association or the right to collective bargaining. Nor has it ever been convicted of using illegal, forced or compulsory child labor, or of discriminatory hiring practices.

The recent acquisition of Gerber significantly increases the Group's headcount, the number of its locations, and the number of subcontractors and suppliers.

To take one example, prior to the acquisition all equipment production was conducted by the Company itself, on the Lectra site at Bordeaux-Cestas. Having chosen to subcontract its production in China and the United States, Gerber exposes the Group to interactions with new players, new processes, and a more globalized supply chain.

Although it considers the risk to be low, in light of its business area and the profile of its subcontractors, this situation exposes the Company to risks relative to the fundamental conventions of the ILO.

6.3.2. Description of actions implemented

A thorough analysis of these risks will be conducted in 2022 to define criticality, the timetable, and the actions implemented to track compliance.

6.3.3. Indicators tracked

Appropriate indicators will be defined to monitor respect for human rights.

7. The new European Union regulation on sustainable activities: the "Green Taxonomy"

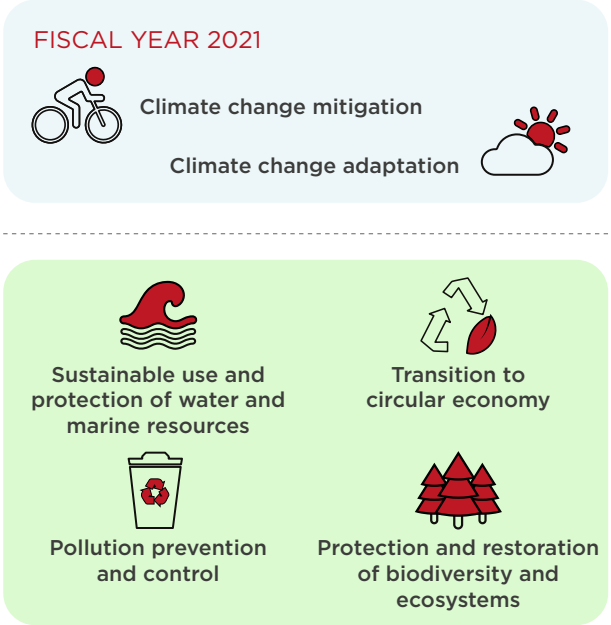
7.1 Application of the EU Regulation on sustainable activities

The Green Taxonomy was introduced by the EU Commission in 2018 in order to establish a European classification for sustainable activities in light of their contribution to achieving environmental objectives; the initial phase aims to cover activities' contribution to two "climate" objectives, climate change mitigation and climate change adaptation.

An economic activity is considered Taxonomy-eligible if it contributes to the achievement of one or more of six environmental objectives under the EU Taxonomy Regulation 2020/852 (see below) and is included among the activities in the EU Taxonomy Climate Delegated Act and its annexes published April 21, 2021.

The six environmental objectives are: climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, transition to circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems.

On the date of this Report, only the two "climate" objectives are taken into account; the other four environmental objectives will be taken into account in 2023 based on 2022 reporting.



As discussed in the Non-Financial Statements for earlier years, the Group's activities, which are described in detail in the Management Discussion, have only a very limited impact on global warming (see NFS, chapter 5). Under the Regulation, however, Lectra is required to publish three key performance indicators regarding the proportion of "eligible" activities, namely the ratio of eligible activities turnover to total turnover, the ratio of eligible capital expenditure (Capex) to total Capex, and the ratio of eligible operating expenses (Opex) to total Opex, within the meaning of the European Taxonomy Regulation and the Climate Delegated Act.

7.2 Proportion of eligible turnover

Preliminary analysis of Lectra's activities

In analyzing the eligibility of its activities with respect to the first two environmental objectives (climate change mitigation and climate change adaptation), the Group has identified three major categories of activities that correspond to the principal dimensions of its offer: the sale of cutting equipment, software, and the maintenance activity related to those two categories.

The preliminary phase of the analysis eliminated maintenance from the scope of sustainable activity, because it is not included in the activities and sectors described in the Delegated Acts; it is therefore not eligible under the Green Taxonomy in 2021 for the two climate change objectives.

The activity consisting in the manufacture and sale of cutting equipment was examined in light of the "manufacturing" activity identified in the EU Commission classification. While Lectra supplies fabric cutting equipment that enables its customers to optimize material utilization and thus improve their own environmental impact, such use of equipment does not constitute a direct impact in terms of climate change mitigation or adaptation. This activity is accordingly not eligible in 2021. However, subject to the findings of a future analysis, it could be eligible in relation to the next phase of environmental objectives (e.g., circular economy, or pollution prevention and control), if the criteria were to include systems that reduce waste.

Through the activity consisting in the design and sale of software, Lectra supplies customers with solutions that contribute value to two major objectives: material optimization (through design and development) and digitalization of collaborative processes. These offers make a contribution to the environment by allowing customers to avoid or reduce their negative impacts. However, the use or supply of such software systems are not considered to have a direct impact on climate change mitigation or adaptation; this activity is not eligible in 2021.

Proportion of Taxonomy-eligible turnover in respect of the first two criteria

In light of the analysis of the eligibility of its activities under the first two environmental objectives (climate change mitigation and climate change adaptation), the Group has determined that the proportion of Taxonomy-eligible turnover in respect of the first phase (climate change mitigation and adaptation) of the Green Taxonomy is zero.

7.3 Proportion of taxonomy-eligible Capex and Opex

Definition of the ratios under the Green Taxonomy

Taxonomy-eligible Capex and Opex are costs incurred in relation to (i) assets or processes associated with eligible activities, (ii) Capex/Opex included in a plan aiming to extend a sustainable activity or to make an activity sustainable, or (iii) individually eligible Capex/Opex. Because of the absence of eligible activities for Lectra, the analysis for 2021 relates only to Capex and Opex related to individually eligible measures.

The capital expenditure to be examined in analyzing the ratio of Taxonomy-eligible Capex to total Capex are acquisitions of tangible and intangible assets during the period, and acquisitions related to business combinations in the year. For fiscal year 2021, as the Group acquired Gerber, Neteven and Gemini, the Capex ratio includes the tangible and intangible fixed assets and the rights of use (within the meaning of IFRS 16) relating to leases for the three acquisitions. The Capex taken into account is consistent with the consolidated balance sheet.

The operating expenses to be examined in analyzing the ratio of Taxonomy-eligible Opex to total Opex are specific non-capitalized indirect costs including R&D costs, building renovation costs, short-term lease contracts, direct expenses for maintenance of property, plant and equipment required for them to function properly, and repairs and maintenance costs. For the Group, this includes all R&D costs net of the research and development tax credit (CIR), and building maintenance costs (primarily at Bordeaux-Cestas in France and Tolland in the United States).

Eligible Capex to total Capex

The aim is to compute the following ratio for Lectra's capital expenditure:

$$\frac{\text{Eligible Capex}}{\text{Total Capex}}$$

The review of Capex determined eligibility for investments relating to building renovation, improved energy efficiency, the installation of recharging stations for electric vehicles, and long-term vehicle leases (IFRS16). In addition to these capital expenditures, there is the renewal and acquisition of leases (IFRS16).

On this basis, the ratio of eligible Capex to total Capex came to 13% in 2021.

Furthermore, from 2018 through 2020, the Group carried out a major program to renovate the buildings on the Bordeaux-Cestas site, with investments to improve energy efficiency including reversible air conditioning, thermal insulation, and LED lighting throughout the site. These investments were made before the Green Taxonomy came into effect and are therefore not taken into account in the ratio.

Eligible Opex to total Opex

The aim is to compute the following ratio for Lectra's operating expenses:

$$\frac{\text{Eligible Opex}}{\text{Total Opex}}$$

The review of Group Opex concluded that Taxonomy-eligible Opex includes operating expenses related to eligible R&D projects, that is, projects that contribute to reducing customers' energy consumption (turbine, process efficiency) and to site maintenance and improvement (heating, air conditioning, site rehabilitation, energy audit).

On this basis, the ratio of eligible Opex to total Opex came to 4% in 2021.

8. Additional background and regulatory information

8.1 Additional information on human resources

In 2021, Lectra made three acquisitions (Gerber, Gemini, and Neteven) that made it complicated, if not impossible, to produce in a reliable manner the complete set of indicators for the Group scope after acquisitions.

The following sections cover the Group after acquisitions, unless a narrower reporting scope is specified.

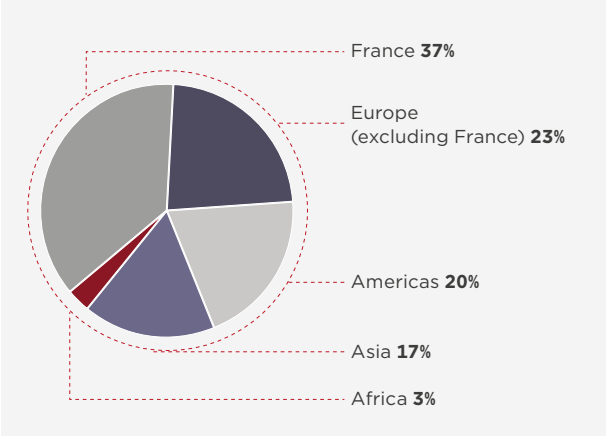
8.1.1. General information on the Group's Human Resources

Headcount

The Group's active headcount[1] after acquisitions, at December 31, 2021 was 2,395 employees (1,735 at December 31, 2020). The total headcount was 2,424 employees (registered workforce). Unless otherwise specified, the information and analyses that follow in this statement refer to the active headcount.

Lectra is a customer-focused company with operations in 45 countries organized into geographic regions with the following headcount breakdown:

Employees by geographic region



(1) Number of employees on permanent contracts and fixed-term contracts, not counting employees who are on long-term leave or who are not working during their notice period.

Compensation policy

The Group payroll, after acquisitions, amounted to 156.1 million euros in 2021, a 35% increase compared to 2020. This increase is primarily due to the integration of the companies acquired in 2021.

Lectra has put in place a fair compensation policy that seeks primarily to reward merit and performance.

The annual salary review policy takes into account individual and/or collective performance, together with the level of inflation in the country, the situation in the labor market, and compliance with the laws and regulations in force in each country.

For certain employees, the annual compensation comprises a fixed component and a variable component. In this case, the objectives and the rules for calculation of the variable component are set at the start of each year and are directly aligned with the strategy and objectives of Lectra, the local priorities, and the nature of the missions assigned to each employee. In addition to compensation there may be benefits in kind connected with the employee's occupation, such as the use of a car.

Lectra also has a long-standing policy of selective employee participation in its capital through the granting of stock options as decided by the Board of Directors following the recommendations of the Compensation Committee.

Employee relations

Organization of labor relations

In France, the Company manages its collective employee relations through employee representative bodies. Two trade unions are present and participate in the collective bargaining negotiations. The Social and Economic Committee ("CSE") that was created in 2019 consists of 16 permanent members and 16 alternate members, plus 1 trade union representative. The Health, Safety and Working Conditions Committee ("CHSCT") consists of 4 members elected from the CSE.

In 2021, there were 29 meetings of the CSE (including 19 extraordinary meetings), 4 meetings of the CSSCT (with no extraordinary meetings) and 10 negotiating meetings with the trade union representatives.

In 2021, the Company disbursed 0.6 million euros to the works council, that is, 0.24% of total payroll for the CSE's operating expenses and 1.10% of payroll for its social activities.

Within each subsidiary, the organization of labor relations complies with local legal obligations and regulations, which are not comparable from one country to another:

- the German subsidiary has a works council, renewed in 2018 for four years, which includes five representatives and meets at least four times a year. It is consulted in the event of major organizational changes and dismissals;
- the Spanish subsidiary has a works council elected for five years that includes four employee representatives. It must be consulted on any decision relating to the organization of work and informed of the main decisions taken with regard to an employee (dismissal, transfer, geographical mobility). The subsidiary's management presents its results to the works council every year;
- the Italian subsidiary has an employee representative, with whom a meeting is held every quarter, and who must also be consulted in the event of a dismissal;
- the other subsidiaries in the NFS scope before acquisitions (in the United States and China) do not have an employee representative body.

Lectra is committed to providing proper organization of human resources in each country in order to address employees' aspirations as well as possible.

Report on collective agreements

37 collective agreements currently in effect have been identified within the NFS scope before acquisitions. They concern employees in France (31 agreements), Italy (4), Germany (1) and Spain (1), that is, over 85% of the employees concerned. They do not apply to the rest of the Group's employees.

The organization of work and labor relations continued to be strongly impacted by the COVID-19 pandemic, as lockdowns, remote working arrangements and special health protection measures continued in the year.

In France, the 2021 negotiations on work time, salary increases and the profit-sharing agreement also resulted in company-wide agreements. Furthermore, the 2020 agreement to implement an employer contribution to the company savings plan (PEE, plan d'épargne-entreprise) took effect, with the initial amount invested at the time of the advance payment on profit sharing for 2021.

Beyond the public health considerations discussed above, and independently of any government obligations, 2021 was also marked by the adoption of teleworking as a regular practice in the company's processes.

A collective agreement in France that came into effect in July 2021 allows for one day of teleworking each week, on average, with considerable flexibility for participating employees who opt to work from home.

No supplementary agreements were entered into in 2021 in Italy, Germany or Spain.

Impacts of collective agreements on Company performance

Labor negotiations within the Company have resulted in other agreements, some of which relate to the organization of working hours. They allow greater responsiveness to operational demands and thereby increase the organization's efficiency:

- two agreements in force, entered into in 2007 and 2012 respectively, extend the hours covered by production-related services; and
- an agreement signed in 2019 establishes a permanent on-call duty system for employees on the team responsible for maintaining operations on cloud-hosted offers.

Beyond the desire to achieve an internal consensus, the salary agreements aim to reconcile maintaining employee loyalty and containing personnel expenses.

Other types of agreements contribute to the Company's performance. This is notably the case for the profit-sharing agreement, which is the result of a deliberate choice made in the past by the Company, in addition to the profit-sharing plan (*participation*), which is a legal obligation. The conditions set out in this agreement are identical to those used to calculate the variable portion of the compensation of the Group's Management team. The agreement thus aligns all employees to achieve the Company's objectives and contributes to their awareness of the Group's strategy.

Health and safety

Lectra places great emphasis on strict compliance with local health and safety laws and regulations in each of its subsidiaries. Regular audits are conducted to guarantee its workers a safe and healthy working environment, and local policy is adjusted accordingly whenever required. In France, the Company, which encompasses the Group's manufacturing operations, calls upon the synergistic capabilities of a safety engineer, the Human Resources Division, Facility Management, and the Occupational Health Department. The Safety and Working Conditions Committee ("CSSCT") is consulted on a regular basis, and participates in the Company's actions in the area.

Numerous accident prevention campaigns and training programs have been organized.

In 2021, the Company validated a preventive approach to psychosocial risks, following the work by a task force that began in 2020. The process was in place by the end of 2021, with participation by Lectra personnel (system leader, safety engineer, members of the CSSCT and an outside consultant).

Frequency and severity of accidents at work, occupational diseases

These two indicators are relevant to the industrial activity at the Bordeaux-Cestas site, insofar as they could reveal recurring problems (frequency rate) and more or less serious problems (severity rate) in the safety systems put in place to protect the physical integrity of personnel. However, they are less relevant for the rest of the Group, which have office or service activities.

The accident indicators, with a frequency rate and severity rate of 4.41 accidents per million hours worked and 0.12 days of temporary disability per thousand hours worked, are respectively 5 and 12 times lower than the average indicators for French companies, as published on the Ameli website (*www.risquesprofessionnels.ameli.fr*).

In 2021, no severe workplace accident occurred, and one occupational disease was reported, for the NFS scope before acquisitions.

Employees of the Company are covered by a 2014 agreement, as amended in 2016, for supplementary health and disability insurance. An agreement covering workplace health and safety is in effect in Italy. There are no agreements on workplace health and safety in the other companies within the NFS scope before acquisitions.

COVID-19 pandemic

Beyond the need to ensure business continuity, the COVID-19 pandemic required the Company to address the risk of contamination in the workplace, to protect employees from contracting or spreading the virus.

In 2020, drastic measures implemented worldwide led to the closure of a considerable number of the Group's facilities in response to lockdown orders in many countries.

The year 2021 failed to bring the long-awaited return to normalcy. At best, it can be considered a new normal that will hopefully be temporary.

The working conditions for all teams thus continued to be affected by the pandemic, as Lectra complied fully with the measures imposed by all governments in each region.

Teleworking, drastic travel restrictions or even outright bans, changes to building layouts, masks, social distancing, limits on face-to-face meetings and training sessions, changes to infrastructure, and awareness-raising initiatives were all maintained throughout the year in 2021.

The Group remains particularly attentive to developments in the pandemic, to protect the health and safety of employees worldwide.

Health and safety of operators at Lectra customer sites

Lectra's focus on health and safety is not limited to its own teams. The industrial equipment produced by the Group optimizes the cutting of flexible materials but can expose users to certain risks.

Lectra's research and development teams have accordingly integrated concern for the safety of future users into equipment design from the outset.

The innovative capabilities of Lectra's teams contribute to the design of high-performance security features. For example, the Virga offer, launched in 2018, includes a new radar system to detect user motion, which provides for immediate emergency shutdowns in the event of inappropriate user behavior.

This system marks a further improvement in the performance of previous safety systems and is now installed as standard or as an option on Vector equipment.

These integrated safety systems are accompanied by on-site support by Lectra's technical experts, who install, start up and maintain the equipment on customer sites. The initial training for customer operators incorporates all applicable safety rules, both in the production phases and in the remote maintenance carried out by Lectra's teams.

Finally, as part of the service contracts offered to customers, Lectra's technical experts carry out regular preventive audits of their installations, which include all embedded safety systems.

8.2 Additional information on fair practices

Lectra has implemented specific actions:

- to scrupulously control the quality of its products and services, both internally and at suppliers' facilities;
- to gradually deploy a new organization to help customers make optimal use of Lectra's solutions and thus achieve their operational objectives;
- to continuously measure customer satisfaction via satisfaction surveys; Lectra collected 5,407 responses to customer satisfaction surveys in 2021; and
- to place innovation at the heart of its activity to support customers in their digital transformation and process optimization.

Furthermore, Lectra conducts itself with customers as a responsible economic player in order to strengthen ties by providing value within the framework of a long-term relationship.

For Lectra, being a trusted partner means first and foremost not exposing customers and users of its solutions and services to risks that can be reduced or eliminated by implementing tools and best practices, notably regarding the security of data belonging to customers and users.

The Group has therefore established a digital protection department responsible for setting up a global structured approach to all data-related topics. This involves developing and putting in place technological measures, best practices and procedures in order to secure data, process data in keeping with the highest standards, and comply with the General Data Protection Regulation (GDPR) with respect to personal data.

9. Report by one of the Statutory Auditors, appointed as an independent third party, on the consolidated non-financial information statement

This is a free translation into English of the Statutory Auditor's report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

Year ended December 31, 2021

LECTRA S.A.
16-18, rue Chalgrin
75 016 Paris, France

In our capacity as Statutory Auditor of Lectra (hereinafter the "entity"), appointed as an independent third party and accredited by Cofrac (Cofrac Inspection Accreditation n°3-1060, whose scope is available at www.cofrac.fr), we conducted our work in order to provide a report expressing a limited assurance conclusion on the historical information (observed and extrapolated) in the consolidated non-financial information statement (hereinafter respectively the "Information" and the "Statement"), prepared in accordance with the entity's procedures (hereinafter the "Guidelines"), for the year ended December 31, 2021, included in the management report pursuant to the legal and regulatory provisions of Articles L. 225-102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code (*Code de commerce*).

Conclusion

Based on the procedures performed, as described in the "Nature and scope of our work" section, and the elements that we have collected, nothing has come to our attention that causes us to believe that the consolidated non-financial information statement is not compliant with the applicable regulatory provisions and that the Information, taken as a whole, is not presented fairly in accordance with the Guidelines.

Preparation of the non-financial information statement

The absence of a generally accepted and commonly used framework or established practices on which to evaluate and measure the Information permits the use of different, but acceptable, measurement techniques that may affect comparability between entities and through time.

Consequently, the Information needs to be read and understood with reference to the Guidelines, significant elements of which are available upon request from the entity's headquarters.

Inherent limitations in preparing the Information

The Information may be subject to inherent uncertainty because of incomplete scientific and economic knowledge and due to the quality of the external data used. Certain Information is sensitive to the methodological choices, assumptions and/or estimates used to prepare the Information presented in the Statement.

The entity's responsibility

The Board of Directors is responsible for:

- selecting or establishing suitable criteria for preparing the Information;
- preparing the Statement in accordance with the legal and regulatory provisions, including a presentation of the business model, a description of the principal non-financial risks, a presentation of the policies implemented considering those risks and the outcomes of those policies, including key performance indicators and, if applicable, the information required by Article 8 of Regulation (EU) 2020/852 (green taxonomy); and
- implementing internal control over information relevant to the preparation of the Information that is free from material misstatement, whether due to fraud or error.

The Statement has been prepared in accordance with the entity's Guidelines as mentioned above.

Responsibility of the Statutory Auditor, appointed as an independent third party

On the basis of our work, our responsibility is to provide a report expressing a limited assurance conclusion on:

- the compliance of the Statement with the provisions of Article R. 225-105 of the French Commercial Code;

- the fairness of the information provided in accordance with Article R. 225-105 I, 3 and II of the French Commercial Code, i.e., the outcomes, including key performance indicators, and the measures implemented considering the principal risks (hereinafter the "Information").

As we have been engaged to form an independent conclusion on the Information as prepared by management, we are not permitted to be involved in the preparation of the Information as doing so may compromise our independence.

It is not our responsibility to comment on:

- the entity's compliance with other applicable legal and regulatory provisions (in particular the information required by Article 8 of Regulation (EU) 2020/852 (green taxonomy), the French duty of care law and anti-corruption and tax evasion legislation);
- the fairness of the information required by Article 8 of Regulation (EU) 2020/852 (green taxonomy);
- the compliance of products and services with the applicable regulations.

Applicable regulatory provisions and professional standards

The work described below was performed in accordance with the provisions of Articles A. 225-1 et seq. of the French Commercial Code and with the professional guidance of the French Institute of Statutory Auditors ("CNCC") applicable to such engagements, as well as with ISAE 3000 (Revised) – Assurance Engagements other than Audits or Reviews of Historical Financial Information.

Independence and quality control

Our independence is defined by the provisions of Article L. 822-11-3 of the French Commercial Code and the French Code of Ethics (Code de déontologie) of Statutory Auditors. In addition, we have implemented a system of quality control including documented policies and procedures to ensure compliance with the ethical requirements, French professional guidance and applicable legal and regulatory requirements.

Means and resources

Our work was carried out by a team of five people between November 2021 and February 2022 and took a total of three weeks.

We were assisted in our work by our specialists in sustainable development and corporate social responsibility. We conducted 10 interviews with people responsible for preparing the Statement, including from the CSR Departments.

Nature and scope of our work

We planned and performed our work considering the risk of material misstatement of the Information.

We consider that the procedures we performed based on our professional judgment allowed us to express a limited assurance conclusion:

- we obtained an understanding of all the consolidated entities' activities, and the description of the principal risks;
- we assessed the appropriateness of the Guidelines with respect to their relevance, completeness, reliability, objectivity and understandability, with due consideration of industry best practices, where appropriate;
- we verified that the Statement includes each category of social and environmental information set out in Article L. 225 102 1 III, as well as information regarding compliance with human rights and anti-corruption and tax evasion legislation;
- we verified that the Statement presents the information set out in Article R. 225-105 II where relevant to the principal risks and includes an explanation for the absence of the information required under Article L. 225-102-1 III, 2;
- we verified that the Statement presents the business model and the principal risks associated with all the consolidated entities' activities, including where relevant and proportionate, the risks associated with their business relationships and products or services, as well as their policies, measures and the outcomes, including key performance indicators related to the principal risks;
- we referred to documentary sources and conducted interviews to:
  - assess the process used to identify and confirm the principal risks and the consistency of the outcomes and the key performance indicators used with respect to the principal risks and the policies presented; and
  - corroborate the qualitative information (measures and outcomes) that we considered to be the most important presented in the appendix. For some risks (e.g., anti-corruption, anti-tax evasion, personal data protection, responsible purchasing, etc.), our work was carried out at the consolidating entity level; for other risks, work was carried out at consolidating entity level and across a selection of entities - Lectra France headquarters - Lectra France's Cestas site - Lectra Germany;
- we verified that the Statement covers the scope of consolidation, i.e., all the companies included in the scope of consolidation in accordance with Article L. 233-16;
- we asked what internal control and risk management procedures the entity has put in place and assessed the data collection process implemented by the entity to ensure the completeness and fairness of the Information;

- for the key performance indicators and other quantitative outcomes that we considered to be the most important presented in the appendix, we implemented:
  - analytical procedures to verify the proper consolidation of the data collected and the consistency of any changes in those data;
  - tests of detail, using sampling techniques, in order to verify the proper application of the definitions and procedures and reconcile the data with the supporting documents. This work was carried out with a selection of contributing entities, i.e., Lectra France, the production plant at Cestas and Lectra Germany, and covers between 51% and 53% of the consolidated data relating to the key performance indicators and outcomes selected for these tests;
- we assessed the overall consistency of the Statement based on our knowledge of all the consolidated entities;
- we verified that the Statement includes a clear and reasoned explanation for the absence of policies concerning one or more of the risks.

The procedures performed in a limited assurance engagement are less extensive than those required for a reasonable assurance engagement performed in accordance with the professional guidance of the French Institute of Statutory Auditors ("CNCC"); a higher level of assurance would have required us to carry out more extensive procedures.

Neuilly-sur-Seine, February 23, 2022

One of the Statutory Auditors
PricewaterhouseCoopers Audit

Flora Camp

Partner

Pascal Baranger

Director, Sustainable Development Department

APPENDIX

List of information that we considered to be the most important

Key performance indicators and other quantitative outcomes:

- Number of hires by type of contract and age group, number of work-study contracts, number of internal transfers, voluntary departure rate
- Rate of absenteeism
- Number of training hours for Customer Success teams, business ethics training and total training hours, training investment, percentage of employees having completed at least one training course during the year
- Percentage of women after acquisitions, gender breakdown, proportion of women in the group's workforce, proportion of women in leadership positions, including local management teams, proportion of women in leadership positions, including local management teams
- Top 100 earners, percentage difference in compensation for women
- Reduction in the environmental footprint caused by 4.0 services by 50%, reduction in vehicle fleet emissions
- Number of suppliers and subcontractors, percentage of suppliers by zone, percentage of suppliers having adhered to the responsible purchasing charter
- Share of "connected" Lectra installed bases
- Change in tonnages by maritime transport between 2020 and 2021
- Production rate of textile waste between 2020 and 2021 on the Virga machine, waste reduction at the Bordeaux-Cestas site
- Change in energy consumption at the Bordeaux-Cestas site
- Change in energy consumption (GWh) / CO_2 emissions (tCO_2-eq)

Qualitative information (measures and outcomes):

- Participation in the school forum
- Lectra Together
- Opinion polls following the acquisition of Gerber
- Town Meeting sessions
- Company level agreements
- Co-optation process
- Lectra Academy
- Lectra Together
- Diversity policy
- Ecodesign diagnosis with the support of a consulting firm and ADEME
- Eco-design strategy
- "Industry 4.0" transformation project
- Collaboration with suppliers to optimize packaging
- Installation of voluntary waste sorting bins at all French sites
- Rainwater gatherer
- 2000 sq.m office renovation project
- 70% of installations connected to the HVAC system
- Anti-corruption training
- Whistleblowing procedure
- Monitoring of CSR issues by a continuous improvement expert
- Training of buyers in responsible purchasing

03

Report on Corporate Governance

03 Report on Corporate Governance

03 Report on Corporate Governance

Dear Shareholders,

This Report on Corporate Governance (the "Report"), prepared in accordance with articles L. 225-37 et seq. of the French Commercial Code and appended to the Management Discussion, reports mainly on:

- compliance by Lectra SA (the "Company") with the corporate governance code to which it refers;
- the composition of the Board of Directors and the diversity policy applied to Directors and in the managing bodies;
- the manner in which the Board of Directors' proceedings are prepared and organized;
- the compensation policy applicable to the Chairman and Chief Executive Officer and to the Company's Directors, as well as the compensation paid or granted in respect of fiscal year ended December 31, 2021;
- restrictions placed on the powers of the Chairman and Chief Executive Officer;
- related-parties agreements and commitments, as well as the monitoring of current operations concluded under normal conditions;
- financial authorizations and delegations conferred upon the Board of Directors by the Shareholders' Meeting;
- the conditions for shareholder participation in Shareholders' Meetings; and
- items that may have an impact in the event of a public tender offer.

This Report was prepared with the contribution of the Chairman and Chief Executive Officer, the Lead Director, the Legal Affairs, Finance, and Human Resources Departments. After examination by the Audit Committee, the Compensation Committee, and the Nominations Committee of the chapters falling under their respective areas of responsibility, this Report was approved by the Board of Directors at their meeting of February 23, 2022 and given to the Company's Statutory Auditors.

Application du Code AFEP-MEDEF

Lectra aims to apply best practices in corporate governance. In this respect, the Company refers to the Corporate Governance Code of Listed Companies written by the *Association Française des Entreprises Privées* (AFEP) and the Mouvement des Entreprises de France (MEDEF) in December 2008 and revised most recently on January 30, 2020 (hereinafter referred to as the "**AFEP-MEDEF Code**"). The AFEP-MEDEF Code can be consulted on the websites www.afep.com and www.medef.com. Lectra is committed to implementing the recommendations of the AFEP-MEDEF Code or, should any of them be deemed inappropriate with respect to its organization and its specific circumstances, to explain the reasons for not complying with them, in keeping with the "comply or explain" rule set out in article L. 22-10-10 of the French Commercial Code and in article L. 27.1 of the AFEP-MEDEF Code.

The internal rules and procedures of Lectra's Board of Directors (the "**Internal Rules and Procedures**"), which sets out the composition, the functioning and the missions of the Board of Directors and its committees, and the ethical rules applicable to all Directors, reflect the recommendations of the AFEP-MEDEF Code. The current version of these Internal Rules and Procedures is available on the Company website (https://www.lectra.com/en/investors).

On the date of this Report, Lectra considers it complies with all the recommendations of the AFEP-MEDEF Code, except with the recommendation below:

Divergence from a recommendation of the AFEP-MEDEF Code	Lectra's practice and explanation
Article 25.1.1 - Criteria relating to social and environmental responsibility (CSR) to determine the compensation of the company officers.	The performance criteria used to determine the variable compensation of Daniel Harari, Chairman and Chief Executive Officer, for fiscal years 2020, 2021 and 2022 correspond to the objectives for the Group set out in the 2020-2022 strategic roadmap, it being specified that the strategic roadmap does not include CSER initiatives and objectives. As Lectra's ambition is to firmly establish the principles of corporate social and environmental responsibility (CSER) and sustainable development at the heart of its business activities and governance, the Group's official CSER strategy was formally defined in 2021 and approved by the Board of Directors on October 27, 2021, for a progressive roll-out beginning in 2022. In this connection, the 2023-2025 strategic roadmap will include CSER initiatives, commitments and quantitative objectives. The variable compensation of the Chairman and Chief Executive Officer will be aligned with the new roadmap and will include at least one CSER criterion.

1. Directors and managing bodies

1.1 Governance: combination of the roles of Chairman and Chief Executive Officer

The Board of Directors, at its meeting on July 27, 2017, decided to combine the roles of Chairman and of Chief Executive Officer, which have been fulfilled since that date by Daniel Harari. This form of governance appears to be the most appropriate in light of the organization and size of the Company, the experience of Daniel Harari, and his role in the implementation of the strategic roadmap.

In accordance with the recommendations of article 3.2 of the AFEP-MEDEF Code, the mission of monitoring and managing possible conflicts of interest in connection with the Chairman and Chief Executive Officer is conferred upon Bernard Jourdan in his capacity as Lead Director (Independent)[1].

The Chairman and Chief Executive Officer exercises his powers within the limits of the corporate purpose and subject to the powers explicitly attributed by law to the Shareholders' Meeting and to the Board of Directors. The Board of Directors may place limits on the powers of the Chairman and Chief Executive Officer; however, such limitations are not enforceable against third parties. These limitations are set out in article 1.2 of the Internal Rules and Procedures, available on the Company's website (https://www.lectra.com/en/investors), and are noted in paragraph 1.4.1 of this Report.

The Chairman and Chief Executive Officer may be assisted by one or more deputy chief executive officers (*Directeurs généraux délégués*), it being noted that no such positions exist on the date of this Report.

Balance of powers

The Board of Directors considers that the governance measures implemented within the Company ensure a satisfactory balance of powers, in line with best practices, and provide the guarantees needed for the combined roles to operate, especially in light of the following:

- the presence of a majority of Independent Directors on the Board of Directors (see section 1.4.2 of this Report regarding the composition of the Board of Directors);
- the existence of four specialized committees of the Board of Directors, with separate missions and prerogatives in audit, compensation, nominations and strategy (see section 1.4.4 of this Report regarding the role and composition of the committees);
- the chairing by an Independent Director of the Audit Committee, Compensation Committee and Nominations Committee;
- the presence of a Lead Director, who is an Independent Director invested with specific missions and prerogatives (see section 1.4.5 of this Report regarding the role and missions of the Lead Director);
- a meeting of Non-Executive Directors, in the absence of the Chairman and Chief Executive Officer, at least once a year (see section 1.4.3 of this Report regarding the functioning of the Board of Directors); and
- the limits imposed by the Internal Rules and Procedures on the powers of the Chairman and Chief Executive Officer, providing for prior approval by the Board of Directors of certain major strategic decisions or decisions that could have a significant impact on the Company (see section 1.4.1 of this Report on decisions requiring prior approval).

The Board of Directors has recognized the effectiveness of combining the functions of Chairman and Chief Executive Officer and indicated its satisfaction with the balance of powers between Chairman and Chief Executive Officer and the Directors.

The annual self-evaluation of the functioning of the Board of Directors, conducted late in 2021, indicated that the Directors of the Company appreciate the quality of the governance system in place and confirms the appropriateness of this form of organization of Executive Management, which fosters a close relationship based on trust between the Chairman and Chief Executive Officer and the Directors. The Board of Directors noted that this form of organization has supported a transparent, dynamic dialogue between Executive Management and the Board of Directors. This organization of Executive Management recently proved its effectiveness in the unprecedented situation of a major health crisis, where the involvement and responsiveness of the Directors and Executive Management came to the fore.

(1) The missions and powers of the Lead Director are described in greater detail in paragraph 1.4.5 of this Report.

1.2 Missions of the Chairman and Chief Executive Officer

The Chairman and Chief Executive Officer, elected by the Board of Directors, has the following duties and responsibilities:

- he organizes and directs the work of the Board of Directors, reports to the Shareholders' Meeting, and oversees the proper functioning of the Company's managing bodies;
- he acts as guardian of good corporate governance of the Company, of abidance by the Board of Directors and its members for the rules of conduct, together with the demands of good faith and transparency in the Company's financial and corporate publications;
- he oversees the proper functioning of the Company's managing bodies and especially the committees of the Board of Directors;
- he chairs and runs the Strategic Committee;
- he represents the Board of Directors and, unless otherwise decided by the latter, has sole authority to act and speak in its name; and
- he oversees the general management of the Company. In this capacity, he is invested with full powers to act in the Company's name in all circumstances and represent it in its dealings with third parties, and he assumes all operational and executive responsibilities; and all teams in the Lectra group (the "**Group**") report to him.

He ensures abidance by and promotes the Group's core values and ethical standards in the conduct of its business.

1.3 Executive Committee

The Chairman and Chief Executive Officer relies on the Executive Committee and defines its composition; its members comprise the Group's principal operational and functional managers. The Executive Committee's mission is to provide leadership in the conduct of Lectra's operations. Each member is further invested with specific missions pertaining to execution of the strategic roadmap.

The Executive Committee was expanded following Lectra's acquisition of the Gerber Technology ("**Gerber**") group on June 1, 2021[1].

On the date of this Report, the Executive Committee has 16 members:

- Daniel Harari, Chairman and Chief Executive Officer, Chairman of the Executive Committee;
- Jérôme Viala, Executive Vice President, Vice Chairman of the Executive Committee;
- Maximilien Abadie, Chief Strategy Officer;
- Fabio Canali, President, Southern Europe and North Africa;
- Thierry Caye, Chief Technology Officer;
- Olivier du Chesnay, Chief Financial Officer;
- Céline Choussy, Chief Product Officer;
- Javier Garcia, President, Asia-Pacific;
- Karen Gibbs, Chief Financial Officer Gerber;
- Laurence Jacquot, Chief Customer Success Officer;
- Eric Lespinasse, Vice President, Industrial Operations;
- Leonard Marano, President, Americas;
- Holger Max-Lang, President, Northern and Eastern Europe, Middle East;
- Maria Modrono, Chief Marketing & Communications Officer;
- Rani Rao, Chief People Officer; and
- Edward Wang, Senior Vice President Asia Pacific.

The biographies of the Executive Committee members are available on the Company's website (https://www.lectra.com/en/investors) in the "Corporate Governance", "Executive Committee" section.

Policy on gender balance in managing bodies

In compliance with article L. 22-10-10 of the French Commercial Code and with Recommendation 7 of the AFEP-MEDEF Code, on a proposal by the General Management and a recommendation by the Compensation Committee, the Board of Directors, at its meeting on February 24, 2021, established the diversity policy applicable to the Group's managing bodies (members of the Executive Committee, Senior Vice Presidents, Vice Presidents).

This policy, its objectives and its implementation, as well as the results achieved in fiscal year 2021 are described in detail in chapter 4.3.2 of the Non-financial Statement.

(1) See press releases dated February 8, March 25, and June 1, 2021, and January 17, 2022, available on the Lectra website (https://www.lectra.com/en/investors).

1.4 Board of Directors

1.4.1. Roles and powers of the Board of Directors

The Board of Directors is responsible for setting out the strategic orientations of Lectra's business in keeping with its corporate purpose, taking social and environmental issues into consideration, and for overseeing their execution. It examines and decides on important operations, possibly after review by the Strategic Committee.

The Board of Directors is informed of market developments, the competitive environment and the most important issues facing the Company, including in the field of corporate social and environmental responsibility and performs such controls and verifications as it deems appropriate.

The Board of Directors formulates the Company's policy on financial disclosure and ensures that shareholders and investors receive relevant balanced and instructive information about the strategy, development model, considerations regarding non-financial issues that are of significance to the corporation, and its long-term outlook.

Subject to powers expressly invested in the Shareholders' Meeting and within the limits of the corporate purpose, the Board of Directors may consider all issues pertaining to the proper functioning of the Company and decides on all matters concerning it.

The Board of Directors conducts an analysis of the major financial operations and economic matters or questions relating to human capital.

It appoints the company officers (*dirigeants mandataires sociaux*)[1] entrusted with the management of the Company and chooses the form of organization (separation of the positions of chairman and of chief executive officer, or combination of these offices), and oversees their management.

The Board of Directors decides on the principles and criteria for compensation of the company officers, which are then submitted for approval by the Shareholders' Meeting. This mission is conducted with support from, but is not delegated to, the Compensation Committee.

The Board of Directors reviews financial, legal, operational, labor-related and environmental risks and opportunities, as well as the measures taken, on a regular basis in line with the strategy it has defined. All information required to perform this task is provided to the Board of Directors, and in particular by the Chairman and Chief Executive Officer.

The Board of Directors also verifies that the Chairman and Chief Executive Officer implements a policy of non-discrimination and diversity, particularly with respect to the balanced representation of women and men in management bodies.

Under the Internal Rules and Procedures, the following items require prior approval by the Board of Directors:

- all significant transactions external to the Group's stated strategy or liable to have a significant impact on its financial results, balance sheet structure, or risk profile;
- all creations of subsidiaries, all acquisitions of companies or activities, together with all disposals of a subsidiary, activity or item of Group intellectual property; and
- all financial or stock market transactions having an immediate or future impact on the share capital, together with all borrowings exceeding €5 million.

In addition, in accordance with the terms of the Stable Shareholding Agreement[2] (the "**Stable Shareholding Agreement**") entered into between Lectra and AIPCF VI LG Funding LP ("**AIP**") on June 1, 2021, as part of the acquisition by Lectra of the group Gerber, the Board of Directors must comply with the procedure described below as long as AIP retains at least 10% of the capital stock:

- the following items (the "Significant Decisions"), listed in the Internal Rules and Procedures, shall require prior approval by the Board of Directors:
  1. any modification of the share capital of the Company, including the issuance of shares or of any other equity securities by the Company, except for any issuance in which Funding has pre-emptive rights pursuant to the Stable Shareholding Agreement or any issuance that is an exception to Funding's pre-emptive rights listed in the Stable Shareholding Agreement;
  2. any merger, de-merger or contribution and any creation or dissolution, purchase or sale of any company, business, subsidiary, branch, or any other entity, assets and business concern, in each case with a value, per transaction, greater than €75 million;
  3. the dissolution of the Company;
  4. the material reorientation of the Company's or its subsidiaries' activities;

(1) As defined in the preamble and article 3.2 of the AFEP-MEDEF Code, the company officers consist of (i) the chairman of the board of directors (non-executive officer) and the chief executive officer in the case of a separation of the roles or (ii) the chairman and chief executive officer in the case of a combination of the roles.

(2) See AMF notice (avis) 221C2808 - FR0000065484-PA14 dated October 20, 2021.
On February 16, 2022, AIPCF VI LG Funding LP declared they had fallen below the 10% threshold of share capital and voting rights and holds 9.01% of the capital and 8.96% of the voting rights..

5. any material amendment to the corporate purpose or the form of the Company;
6. any amendment to the provisions of these Internal Rules relating to these significant decisions that adversely impacts Funding's rights under the Stable Shareholding Agreement;
7. the delisting of the Company's Shares from the regulated market Euronext; or
8. any agreement or undertaking to do any of the foregoing.

- notwithstanding anything to the contrary set forth in the Internal Rules, if the Director designated by AIP votes against or abstains during the first meeting of the Board of Directors called upon to vote on a Significant Decision, said Significant Decision will not be adopted. The members of the Board of Directors will try to reach a consensus during a period of three weeks following this first meeting. At the end of such period, said Significant Decision may be submitted again to the vote of the Board of Directors reconvened on second notice and may be in such case, authorized by the Board of Directors through a simple majority vote.

1.4.2. Membership of the Board of Directors

On the date of this Report, the Board of Directors has six members:

DANIEL HARARI

Chairman and Chief Executive Officer

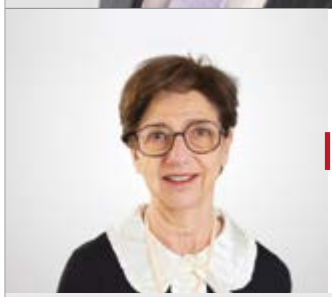
Chairman of the Strategic Committee

Independent Director and Lead Director

Chairman of the Audit, Compensation and Nominations Committees

Member of the Strategic Committee

BERNARD JOURDAN



Independent Director

Member of the Audit, Compensation, Nominations and Strategic Committees

ANNE BINDER

Independent Director

Member of the Audit, Compensation, Nominations and Strategic Committees

NATHALIE ROSSIENSKY

Independent Director

Member of the Audit, Compensation, Nominations and Strategic Committees

CÉLINE ABECASSIS-MOEDAS

Director

Member of the Audit, Compensation and Strategic Committees

JEAN MARIE (JOHN) CANAN

Gender balance
M/W
3 3

Independent Directors
4/6

Term of office
4 years

Lead Director
1

Committees
4

Rate of attendance in 2021
100 % (Board)
100 % (Committees)

The Board of Directors includes no director representing employee shareholders and no director representing the employees, as the Company does not exceed any of the thresholds prescribed by articles L. 225-23 and L. 225-27-1 of the French Commercial Code[1].

(1) Under articles L. 225-23 and L. 225-27-1 of the French Commercial Code and article 8 of the AFEP-MEDEF Code, in the event that (i) the share ownership by the employees of the company and by employees of affiliated companies within the meaning of article L. 225-180 of the French Commercial Code exceeds the threshold of 3% of the share capital of the company, and/or in the event that (ii) the company employs at least 1,000 permanent employees in France or at least 5,000 worldwide, counting direct and indirect subsidiaries, for at least two consecutive fiscal years, then the board of directors must include (i) one or more directors representing employee shareholders and elected from among them, and/or (ii) directors representing the employees.

Summary table of changes in Board of Directors membership in 2021

Re-elected	N/A
Elected	Céline Abecassis-Moedas (Independent Director)* Jean Marie Canan (Director)**
Term expired	N/A

* *At the Combined Shareholders' Meeting of April 30, 2021.*

** *At the Combined Shareholders' Meeting of June 1, 2021.*

Board of Directors and Board of Directors' committees overview

	Personal information				Experience	Position on the Board of Directors				Participation in Board of Directors' committees			
	Age	Gender	Nationality	Number of shares	Number of Directorships in listed companies	Independence	Initial date of appointment	Term of office expires	Length of service on Board of Directors (years)	Audit Committee	Compensation Committee	Strategic Committee	Nominations Committee
Daniel Harari Chairman and Chief Executive Officer	67	M	FR	5,507,560	0	No	1991	AGM 2024	31			■	
Bernard Jourdan Lead Independent Director	77	M	FR	1,503	0	Yes	21/12/11	AGM 2023	10	■	■	▪	■
Céline Abecassis-Moedas Independent Director	50	F	FR	100	2	Yes	30/04/21	AGM 2025	1	▪	▪	▪	▪
Anne Binder Independent Director	71	F	FR	1,500	0	Yes	27/10/11	AGM 2023	10	▪	▪	▪	▪
Jean Marie Canan Director	65	M	CAN	100	2	No	01/06/21	AGM 2025	1	▪	▪	▪	
Nathalie Rossiensky Independent Director	52	F	FR	1,500	0	Yes	29/04/16	AGM 2024	6	▪	▪	▪	▪

■ **Chairperson** ▪ Member

The members of the Board of Directors of Lectra

Daniel Harari

Chairman and Chief Executive Officer
Chairman of the Strategic Committee

Age
67

Nationality
French

Director since
1991

Term of office began
April 30, 2020

Term of office ends
at end of the shareholders' meeting called to approve the financial statements for the fiscal year ended December 31, 2023

Number Lectra shares held
5,507,560

Other current positions and directorships

None

Biography – Experience and expertise

Daniel Harari is a graduate of École Polytechnique and holds an MBA from HEC in Paris. He began his career as Vice President of Société d'Études et de Gestion Financière Meeschaert, an asset management company (Paris, 1980-1983). He was then Chairman and Chief Executive Officer of La Solution Informatique (Paris, 1984-1990), a PC distribution and services company, and of Interleaf France (1986-1989), a subsidiary of the US software publisher, both of which he founded.

In 1986, Daniel Harari became Chief Executive Officer of Compagnie Financière du Scribe (Paris), a venture capital firm specialized in technology companies, where he was, together with his brother André Harari, the main shareholder until its merger with Lectra on April 30, 1998.

After the takeover of Lectra by Compagnie Financière du Scribe at the end of 1990, Daniel Harari became Chairman and Chief Executive Officer of Lectra and served in that capacity from 1991 to 2002. Following the separation of the role of Chairman from that of Chief Executive Officer in May 2002, Daniel Harari became Chief Executive Officer.

Since the decision by the Board of Directors on July 27, 2017, to again combine the roles, Daniel Harari has again served as Chairman and Chief Executive Officer of Lectra.

Directorships expired in the past five years

- Chairman of the Board of Directors, Lectra Sistemas Española SAU (Spain)
- Chairman of the Board of Directors, Lectra Italia SpA (Italy)
- President, Lectra Systems (Shanghai) Co. Ltd. (China)
- Director, Lectra USA Inc. (United States)

Bernard Jourdan

Independent Director and Lead Director
Chairman of the Audit Committee, the Compensation Committee and the Nominations Committee
Member of the Strategic Committee

Biography – Experience and expertise

Age
77

Nationality
French

Director since
December 21, 2011

Term of office began
April 30, 2019

Term of office ends
at end of the shareholders' meeting called to approve the financial statements for fiscal year ended December 31, 2022

Number Lectra shares held
1,503

Bernard Jourdan holds a Master of Science in Management from the Sloan School of Management, Massachusetts Institute of Technology (USA), is a graduate of École Centrale de Paris (Engineering), and obtained an MS (DECS) in accounting from the University of Paris, and a BA in economics from the University of Paris-Assas. His career began as a consultant with Arthur Andersen Paris, followed by positions as associate manager at First National Bank of Chicago, and project manager at the Institut de Développement Industriel (Paris).

From 1978 to 1990, he held various positions at Compagnie Générale des Eaux (currently Veolia Environment) group, a world leader in water treatment, environmental services, and energy services; he was, in particular, a member of the Board of Directors, Executive Vice President and Chief Executive Officer of subsidiaries of the group in France from 1987 to 1990, and Chief Operating Officer of the US division from 1981 to 1987.

From 1990 to 1995, he was Executive Vice President of Schindler France, and then, from 1995 to 2005, he was a member of the Board of Directors and Executive Vice President of the SPIE Group, in charge of strategy and development.

Bernard Jourdan was named Lead Director of Lectra for the first time in 2017. He was reconfirmed in this role on June 12, 2019.

Other current positions and directorships

None

Directorships expired in the past five years

None

Céline Abecassis-Moedas

Independent Director
Member of the Audit Committee, the Compensation Committee, the Nominations Committee and the Strategic Committee

Age
50

Nationality
French

Director since
April 30, 2021

Term of office began
April 30, 2021

Term of office ends
at end of the shareholders' meeting called to approve the financial statements for fiscal year ended December 31, 2024

Number Lectra shares held
100

Biography - Experience and expertise

Céline Abecassis-Moedas is a graduate of the École Normale Supérieure de Cachan, of the Université Paris Dauphine (with a Masters in Scientific Management Methods) and holds a PhD in Management Science from Ecole Polytechnique. She began her career in research at France Télécom R&D before joining Lectra as E-Business Product Manager in 1999. She then worked at AT Kearney as a consultant in 2000-2002. From 2002 to 2005, she was Assistant Professor of Strategy at Queen Mary University of London, and then joined Católica-Lisbon as Assistant Professor in Strategic and Innovation Management. While at Catolica-Lisbon she held the position of Director of the Masters Program, and taught and developed executive education programs before becoming Dean for Executive Education in 2019. Céline Abecassis-Moedas was an International Faculty Fellow at Massachusetts Institute of Technology (MIT) (United States) in 2011-2012 and published research papers in prestigious journals on the role of innovation and design in creative industries (including fashion). From 2014 to 2020, Céline Abecassis-Moedas was Affiliate Professor at ESCP and co-scientific director of the Lectra-ESCP Chair's "Fashion and Technology."

From 2012 to 2019 Céline Abecassis-Moedas was an Independent Director at Europac (Papeles y Cartones de Europa, SA) and Lead Independent Director from 2015 to 2019. From 2016 to 2020 she was an Independent Director at CTT (CTT Correios de Portugal, S.A.). She is an Independent Director at CUF SA (since 2016), at Vista Alegre Atlantis (since 2020) and at GeenVolt SA (since 2021). Céline Abecassis-Moedas is IDP-C certified in Corporate Governance from INSEAD (2017).

Other current positions and directorships

- Dean of Executive Education at Católica-Lisbon (Portugal)
- Director and Chairperson of the Innovation Committee at CUF, SA (Portugal, since 2016)
- Director of Vista Alegre Atlantis,* SA (Portugal, since 2020)
- Director of GreenVolt, SA (Portugal, since 2021)

Directorships expired in the past five years

- Independent Director (2012 to 2019), including Lead Independent Director, Chairperson of the Nominations and Compensation Committee and member of the Audit Committee (2015 to 1019) at Europac* (Papeles y Cartones de Europa, SA), (Spain)
- Independent Director, member of the Corporate Governance, Evaluation and Nominations Committee at CTT* (CTT Correios de Portugal, SA), (Portugal)

*listed company

Anne Binder

Independent Director
Member of the Audit Committee, the Compensation Committee, the Nominations Committee and the Strategic Committee

Biography – Experience and expertise

Age
71

Nationality
French

Director since
October 27, 2011

Term of office began
April 30, 2019

Term of office ends
at end of the shareholders' meeting called to approve the financial statements for fiscal year ended December 31, 2022

Number Lectra shares held
1,500

Anne Binder is a graduate of the Institut d'Études Politiques of Paris. She also holds a BA from the Paris faculty of law and a Master in Business Administration from INSEAD (France). She began her career as a consultant with Boston Consulting Group (Paris) and then as associate manager at Lazard Frères Bank.

She was then an associate manager for Générale Occidentale (bank and industrial holding company) from 1978 to 1982, and from 1983 to 1990, participated in the creation and was General Manager of the Pallas group (bank and investment, Paris).

From 1990 to 1993, she was the Chief Executive Officer of the holding company Euris (Paris) and Deputy Chief Executive Officer of investment fund Euris (investments in industrial companies).

From 1993 to 1996, she was the Executive Manager in charge of the development in France of international financial services group GE Capital and Director of its French subsidiary.

Anne Binder is currently a consultant in financial strategy and an independent Director for publicly traded and non-publicly traded companies.

Other current positions and directorships

- Director, IAAF (INSEAD)

Directorships expired in the past five years

- Honorary Chairperson and co-founder, FinTouch
- President of the Supervisory Board, IAAF (INSEAD)
- Director, French National Chamber of Financial; and Investment Advisors (CNCIF)
- Director, Osmozis*
- Director, Oceasoft*
- Senior Advisor, Tikehau Investment Management

**listed company*

Jean Marie (John) Canan

Director

Member of the Audit Committee, the Compensation Committee and the Strategic Committee

Age
65

Nationality
Canadian

Director since
June 1, 2021

Term of office began
June 1, 2021

Term of office ends
at end of the shareholders' meeting called to approve the financial statements for fiscal year ended December 31, 2024

Number Lectra shares held
100

Biography - Experience and expertise

Jean Marie (John) Canan graduated from McGill University in Montreal, Canada with a bachelor of commerce degree (specialized in finance and accounting) and began his career at PricewaterhouseCoopers.

From 1990 to 2014, Jean Marie Canan held positions of responsibility at Merck & Co, Inc. ("Merck") including senior roles in finance, strategy development, business development and operations. He oversaw the $49 billion acquisition of Schering-Plough by Merck. He also provided operational oversight for most of the Merck group's joint ventures, including DuPont-Merck, Johnson and Johnson-Merck, Astra-Merck, and Schering-Plough-Merck.

He was one of the five senior leaders selected by Merck's Chief Executive Officer to define Merck's new strategy.

Jean Marie Canan was a member of the special committee at the REV Group that supervised the company's initial public offering in 2017.

Jean Marie Canan is currently a Director of REV Group, an American company listed on the NYSE, and of Acasti Pharma, a Canadian company listed on the NASDAQ. He is also a Trustee of the Angkor Hospital for Children, a U.S.-based non-profit pediatric hospital.

Other current positions and directorships

- Lead Independent Director and Chairman of the Audit Committee, REV Group* (USA)
- Director and Chairman of the Audit Committee, Acasti Pharma (ACST)* (Canada)
- Trustee, Angkor Hospital for Children, a non-profit organization (USA)

Directorships expired in the past five years

- Director, Willow BioPharma (Canada)

**listed company*

Nathalie Rossiensky

Independent Director
Member of the Audit Committee, the Compensation Committee, the Nominations Committee and the Strategic Committee

Biography – Experience and expertise

Nathalie Rossiensky graduated from University Paris-Dauphine (Master of Applied Mathematics and D.E.A. of Financial Economics), and holds a Ph.D. in Finance from London Business School.

She started her career in 2000 with JP Morgan Private Bank in Paris, before joining the Investment Management Division of Goldman Sachs International, first in London in 2005, and then in Paris, where she served through 2013 as Executive Director in charge of asset allocation and investment in all asset classes for family offices and family-owned corporates.

From 1998 to 2000, Nathalie Rossiensky was Assistant Professor of Finance at the Fuqua School of Business, Duke University (USA); her research focused on asset management, financial intermediation and game theory. She has spoken at conferences including at Stanford University, NYU Stern School of Business (USA), and INSEAD (France).

Nathalie Rossiensky is currently Executive Vice President at Lombard Odier Europe, based in Paris.

Age
52

Nationality
French

Director since
April 29, 2016

Term of office began
April 30, 2020

Term of office ends
at end of the shareholders' meeting called to approve the financial statements for fiscal year ended December 31, 2023

Number Lectra shares held
1,500

Other current positions and directorships

- Executive Vice President, Lombard Odier (Europe) SA, French branch
- Director, Selectys (SICAV)

Directorships expired in the past five years

- Director, Bayard Invest (SICAV)
- Director, Bienvenues Invest (SICAV)

Diversity in the Board of Directors

The Board of Directors examines annually the desirable balance in its membership, notably regarding gender balance, the diversity of competencies, the independence of its members and, in light of the various challenges facing Lectra, its geographical situation and the Company's shareholder base.

The following table summarizes the objectives, the implementation of the diversity policy as it applies to the members of the Board of Directors, and the resulting situation.

Criterion	*Objective*	*Implementation and resulting situation*
Gender balance on the board of directors	When the board of directors is composed of up to eight members, the difference between the number of directors of each gender must not exceed two. *(Article L.22-10-3 of the French Commercial Code))*	3 men and 3 women.
Diversity of competencies, and complementary profiles	Complementary profiles in terms of areas of expertise.	Competencies represented: strategy, management, industry, finance, acquisitions, governance, corporate social responsibility.
International profiles	Profiles with international experience and/or foreign profiles in light of Lectra's geographical reach.	All the Directors have vast international experience. Jean Marie Canan is Canadian and a resident of the United States. Céline Abecassis-Moedas is a resident of Portugal.
Directors' independence	At least half the members of the board of directors should be independent. *(Article 9.3 of the AFEP-MEDEF Code)*	2/3 of the Directors are independent.
Age of directors	At least half of the members of the board of directors must be under 72 years of age. *(Article 11 of the Company's by-laws)*	5 out of the 6 Directors are under 72 years of age. The average age is 63, and the range is from 50 to 77.

Directors' independence

In general, a director is deemed to be independent when there is no relationship of any kind whatsoever with the company, its group or its management liable to compromise the director's freedom of judgment.

To comply with the rules of corporate governance as set out in article 9.3 of the AFEP-MEDEF Code, in widely-held corporations without controlling shareholders, independent directors must make up at least 50% of the membership of the board of directors.

The Company's use of the term "independent director" is consistent with the recommendations of the AFEP-MEDEF Code, which stipulates that independence must be discussed by the Nominations Committee[1], and determined by the Board of Directors when appointing a director, as well as annually for all directors.

During the meeting on January 18, 2022, attended by the Chairman and Chief Executive Officer, the Nominations Committee discussed the qualification of each Director in office, as well as each candidate.

(1) Prior to the creation of the Nominations Committee in July 2021, the Compensation Committee served as the nominations committee

The Board of Directors, at its meeting on February 23, 2022, decided upon the qualifications of Independent Director proposed by the Nominations Committee, as follows:

- Céline Abecassis-Moedas, Anne Binder, Nathalie Rossiensky and Bernard Jourdan satisfy all the criteria for independence set out in the AFEP-MEDEF Code (in particular, there is no business relationship or particular bond of interest of any sort whatsoever between these Directors and the Company);
- Daniel Harari is not deemed to be independent, because he has been the company officer since 1991, and holds, on the date of this Report, roughly 14.6% of the capital and 14.5% the voting rights of the Company;
- Jean Marie Canan is not considered an independent director because he was proposed by AIPCF VI Funding LP, which currently holds approximately 9% of the capital and of the voting rights in Lectra, under the Stable Shareholding Agreement[(1)].

The following table sets out the status of each Director with regard to the criteria for independence set out in article 9.5 of the AFEP-MEDEF Code:

Criteria for independence	Daniel Harari	Bernard Jourdan	Céline Abecassis-Moedas	Anne Binder	Jean Marie Canan	Nathalie Rossiensky
Criterion 1: Employee or company officer within the previous 5 years	**Yes**	No	No	No	No	No
Criterion 2: Cross-Directorships	No	No	No	No	No	No
Criterion 3: Significant business relationships	No	No	No	No	No	No
Criterion 4: Family ties to a company officer	No	No	No	No	No	No
Criterion 5: Auditor within the previous 5 years	No	No	No	No	No	No
Criterion 6: Period of office exceeding 12 years	**Yes**	No	No	No	No	No
Criterion 7: Status of non-executive officer *(receives variable compensation or any compensation linked to the performance of the company or group)*	N/A	No	No	No	No	No
Criterion 8: Status of the major shareholder *(holds over 10% of the capital or voting rights in the company)*	**Yes**	No	No	No	**Oui**[1]	No

(1) Under the agreements entered into on June 1, 2021 regarding acquisition by Lectra of Gerber, the USA-based company, inter alia the Stable Shareholding Agreement (see AMF notice 221C2808 - FR0000065484-PA14 dated October 20, 2021), Jean Marie Canan was proposed as a Director by AIPCF VI Funding LP (AIP), which holds, on the date of this Report, approximately 9% of the capital and voting rights in Lectra. Under this agreement, from the completion of the acquisition and throughout the duration of the agreement, subject to the condition that AIP continue to hold a number of Lectra shares equivalent to at least 50% of the initial holding (the initial holding being 13.3%), the Lectra Board of Directors, the Audit Committee, the Compensation Committee and the Strategic Committee must include one Director proposed by AIP.

Selection procedure for Independent Directors

Under article 17.2.1 of the AFEP-MEDEF Code and in accordance with the recommendations of the *Autorité des Marchés Financiers* (AMF) and the *Haut Comité de Gouvernement d'Entreprise* (HCGE), the Board of Directors at its meeting on July 29, 2021 adopted a formal written procedure setting out the selection procedure for Independent Directors. The procedure is published on the Lectra website (https://www.lectra.com/en/investors), and describes the role of the Nominations Committee and of the Lead Director in the selection of future Independent Directors, the principles underlying the selection procedure, and the various stages in the selection process.

The selection procedure for future Independent Directors comprises the six stages described below:

1) Identification of sought-after profiles, which begins with the assessment by the Nominations Committee of the needs for competencies and approval by the Board of Directors of the recruitment policy and time schedule proposed by the Nominations Committee;
2) The search for profiles by the Lead Director, who is charged with the preparation and continuous management of a list of a dozen potential candidates;
3) Preselection of candidates by the Nominations Committee, in light of needs (vacant seats or expansion of the Board of Directors);
4) Contacts with candidates by the Lead Director and arrangements for interviews, initially with the members of the Nominations Committee, and then with the other Directors, the Chairman and Chief Executive Officer and the Executive Vice President;
5) Reporting to the Board of Directors on the work performed by the Nominations Committee;
6) Submission of nominations or proposed re-elections of candidates to the approval of the shareholders at the next Shareholders' Meeting.

The selection procedure for Independent Directors was applied in 2021, to prepare for the Annual Shareholders' Meeting of April 29, 2022, for the purpose of identifying and selecting candidates for two new positions of Independent Director. The searches and preselection were managed by Bernard Jourdan, the Lead Director and Chairman of the Nominations Committee, without the assistance of an outside consulting firm. Each of the preselected candidates first met individually with all the members of the Nominations Committee, before meeting the other members of the Board of Directors and the Executive Vice President. The Nominations Committee met three times between September 2021 and January 2022 to evaluate each candidate using a skills matrix, to discuss the relevance and complementarities of each profile with respect to the current composition of the Board of Directors and to make a substantiated recommendation. On the basis of the conclusions of the Nominations Committee, the Board of Directors selected two candidates who will be proposed for election at the Annual Shareholders' Meeting of April 29, 2022.

Gender balance on the Board of Directors

In accordance with article L.225-18-1 of the French Commercial Code (enacted by Law 2011-103 of January 27, 2011, on the balance between women and men on boards of directors and supervisory boards and professional equality) and article L. 22-10-3 of the French Commercial Code created by Ordonnance 2020-1142 of September 16, 2020, in companies having a board of directors composed of up to eight members, the difference between the number of directors of each gender must not exceed two.

The Board of Directors of Lectra has complied with this gender balance rule ever since it went into effect. On the date of this Report, the Board of Directors is composed of six members, three women and three men.

Age limit for Directors and for the Chairman of the Board of Directors

Under article 11 of the Company by-laws, as amended by the Combined Shareholders' Meeting of April 30, 2020, the proportion of Directors aged over 72 is restricted to one-half of the total number of Directors in office. If the threshold of one half of the Directors is exceeded, the Director who is the oldest shall automatically be deemed to have resigned, his or her appointment expiring at the end of the next annual ordinary shareholders' meeting, in order to ensure the continuity of terms of office and of the Board of Directors' work in the course of a given fiscal year.

On the date of this Report, five out of six Directors are less than 72 years old.

Under article 13 of the Company's by-laws, the age limit for the position of Chairman of the Board of Directors is 76.

Duration of Directors' appointments

In accordance with the recommendations of article 14.1 of the AFEP-MEDEF Code, since the Shareholders' Meeting of April 27, 2012, the statutory term of office of the members of the Board of Directors is set at four years.

In order to favor the smooth replacement of the Directors and to comply with the recommendations of article 14.2 of the AFEP-MEDEF Code, a staggering of terms of office and the renewal of the Board of Directors by thirds has been gradually put in place through the early reelection of certain Directors in 2019 and the election of two new Directors in 2021.

As a reminder, the Board of Directors had initially recommended that certain Directors should be invited to tender their resignations in 2019, 2021 and 2022 and to then seek re-election as Directors at the Shareholders' Meetings held in those years. Thus, in 2019, Anne Binder and Bernard Jourdan agreed to tender their resignations and to then seek re-election as Directors of the Company. The Shareholders' Meeting of April 30, 2019 approved their re-election for a new four-year term to expire at the end of the Shareholders' Meeting called to approve the financial statements for fiscal year ended December 31, 2022. The Shareholders' Meeting of April 30, 2020 decided on the renewal of the terms of Daniel Harari and Nathalie Rossiensky for a period of four years to expire at the end of the Shareholders' Meeting called to approve the financial statements for fiscal year ended December 31, 2023. At the Shareholders' Meetings of April 30, 2021 and June 1, 2021, two new Directors were elected, Céline Abecassis-Moedas and Jean Marie Canan, to a four-year term to expire at the end of the Shareholders' Meeting called to approve the financial statements for fiscal year ended December 31, 2024.

The following table indicates when the Directors' terms of office end:

Directors whose term of office ends at the close of the 2023 Shareholders' Meeting called to approve the financial statements for fiscal year 2022	**Directors whose term of office ends at the close of the 2024 Shareholders' Meeting called to approve the financial statements for fiscal year 2023**	**Directors whose term of office ends at the close of the 2025 Shareholders' Meeting called to approve the financial statements for fiscal year 2024**
Bernard Jourdan *(Lead Independent Director)*	Daniel Harari *(Chairman and Chief Executive Officer)*	Céline Abecassis-Moedas *(Independent Director)*
Anne Binder *(Independent Director)*	Nathalie Rossiensky *(Independent Director)*	Jean Marie Canan *(Director)*

Directors' and Chairman and Chief Executive Officer's shareholdings

Article 20 of the AFEP-MEDEF Code on ethical rules for directors recommends that each director should be a shareholder in a personal capacity and should hold a minimum number of shares that is significant in relation to the directors' compensation. If the director does not own these shares at the time of joining the board of directors, he or she should use a portion of his or her compensation to purchase shares. The director is required to notify the company of his or her compliance, this information being provided in the Report on Corporate Governance.

Article 1.12 of the Internal Rules and Procedures provides that all Directors must own at least 1,500 of the Company's shares. Directors who do not hold these shares at the time of joining the Board of Directors are required to invest the equivalent of 25% of his or her annual directors' compensation (i.e. approximately half of the net amount received by them after deduction of social security contributions and personal income tax) until they have acquired the requisite number of shares. Such investment must be made within twelve months following payment of such directors' compensation.

As of today, Daniel Harari, Bernard Jourdan, Anne Binder and Nathalie Rossiensky each hold at least 1,500 Lectra shares.

Elected in 2021, Céline Abecassis-Moedas and Jean Marie Canan each hold 100 Lectra shares and undertake to invest 25% of their gross annual compensation to gradually acquire Lectra shares, as provided in the Internal Rules and Procedures.

Training of Directors

Non-Executive Directors receive training on the specific characteristics and operational issues of the Company, including but not limited to businesses, sectors of activity, products and services, as well as its organization and operating mode, in order to gain a thorough understanding thereof.

Meetings with the Company's principal senior executives, and a visit of the Group's technology campus, situated in Bordeaux-Cestas were organized in 2021 for all the Directors.

Number of Directorships held by the Chairman and Chief Executive Committee and the Directors

Article 19.2 of the AFEP-MEDEF Code recommends that an executive officer does not hold more than two other directorships in listed corporations, including foreign corporations, outside of his or her group and that he or she must also seek the opinion of the board of directors before accepting a new directorship in a listed corporation. Article 1.9 of the Company's

Internal Rules and Procedures goes beyond the recommendations of the AFEP-MEDEF Code and prohibits the Chairman and Chief Executive Officer from holding directorships in any French or foreign company, listed or unlisted, outside the Group.

In compliance with this rule, Daniel Harari holds no directorship within or outside the Group.

Article 19.4 of the AFEP-MEDEF Code also recommends that a director should not hold more than four other directorships in listed companies outside the group, including foreign companies. Article 1.9 of the Internal Rules and Procedure goes even further than the recommendation of the AFEP-MEDEF Code and provides that Directors must limit the number of directorships they hold in other companies so as to ensure that they remain available to fulfill their duties as members of the Lectra Board of Directors. They must inform the Chairman and Chief Executive Officer prior to acceptance of any new director position in a French or foreign company, whether listed or unlisted, including membership on board committees, or of any change in their professional responsibilities.

In keeping with these rules, no Lectra Director holds more than four other positions in listed companies.

Proposed change in the composition of the Board of Directors submitted to the Shareholders' Meeting called to approve in 2022 the financial statements for fiscal year ended December 31, 2021

A proposal will be made to the Annual Shareholders' Meeting of April 29, 2022 to elect Ross McInnes and Hélène Viot Poirier as Directors for a four-year term expiring at the end of the Shareholders' Meeting called to approve the financial statements for fiscal year ended December 31, 2025.

Ross McInnes served as a Director of Lectra from January 2018 to April 2020, and if elected will bring to the Board of Directors his knowledge of the Company's challenges and markets, and his expertise in strategy, management, finance and governance. He will call upon his extensive experience as a director of listed companies. Ross McInnes will be appointed a member of the Audit Committee, the Nominations Committee and the Strategic Committee.

If Hélène Viot Poirier is elected, the Board of Directors will benefit from her thorough knowledge of the digital sector and the fashion market, as well as her expertise in acquisition and growth strategy, and in eco-responsible product development. Hélène Viot Poirier will be appointed a member of the Audit Committee, the Nominations Committee, the Strategic Committee and the CSR Committee.[1]

At the close of the Shareholders' Meeting of April 29, 2022, subject to a favorable vote, the membership of the Board of Directors would thus be composed of eight individuals, including four women and four men; with six Independent Directors.

1.4.3. Organization and operation of the Board of Directors

Internal Rules and Procedures of the Board of Directors and Board of Directors' committees

Articles 2.2 and 15.3 of the AFEP-MEDEF Code recommend the establishment of internal rules to govern the procedures of the board of directors and its committees.

The Internal Rules and Procedures specify:

- the composition, operating rules and responsibilities of the Board of Directors and its committees;
- the duties of Directors and the ethical rules, notably regarding the prevention of conflicts of interest, holding of shares in the Company, loyalty, diligence and confidentiality;
- transactions that require prior approval by the Board of Directors, listed in section 1.4.1 above; and
- the procedures for informing the Board of Directors regarding the Company's financial situation and cash position.

The Board of Directors regularly reviews its Internal Rules and Procedures, notably to ensure compliance with any new legal and regulatory provisions and new recommendations of the AFEP-MEDEF Code. The Internal Rules and Procedures were updated on July 29, 2021 and are available on the Company's website (https://www.lectra.com/en/investors).

Prevention of conflicts of interest

The Board of Directors has also long had in place a procedure for managing conflicts of interest, if any. This procedure is formalized in article 1.10 of the Internal Rules and Procedures.

Pursuant to article 1.7 of the Internal Rules and Procedures, the Board of Directors has tasked the Lead Director with monitoring and managing possible conflicts of interest in connection with the company officers.

Furthermore, each Director (i) must ensure at all times that their personal situation avoids all conflicts of interest with the Company or any of its subsidiaries, (ii) has a duty spontaneously to inform the Board of Directors of any situation or risk of conflict of interest, real or potential, and (iii) must abstain from taking part in the corresponding discussions, votes or deliberations.

(1) The Board of Directors plans to establish a CSR Committee in the second quarter of 2022, after the Shareholders' Meeting of April 29, 2022.

Furthermore, and without prejudice to the formalities pertaining to authorizations and control prescribed by law and the Company by-laws, Directors are required to notify the Chairman and Chief Executive Officer without delay of any related-party transaction into which the Group may enter and in which they have a direct or indirect interest, regardless of its nature. The Chairman and Chief Executive Officer notifies the Board of Directors of any conflicts of interest or potential conflicts he may have identified concerning the company officers and the other Directors.

The Chairman and Chief Executive Officer abstains from participating in deliberations and votes on motions regarding his compensation.

In the event of a conflict of interest, including a potential conflict of interest, the Board of Directors must decide on this question and, if necessary, call upon the Director concerned to rectify his/her position.

Timetable, meetings and activity of the Board of Directors

In accordance with the recommendation of the AMF set out in its guide to periodic information by listed companies (Position-recommendation DOC-2016-05), the Company's financial calendar setting out the dates for the publication of quarterly, bi-annual and annual financial results, those of the annual Shareholders' Meeting and the two annual analysts' meetings is drawn up prior to the last day of the current year for the following year. The calendar is published in the Annual Financial Report on the Company's website and communicated to Euronext Paris before the start of the fiscal year.

The timetable of meetings of the committees, Board of Directors and annual Shareholders' Meetings for fiscal years ended December 31, 2021 and December 31, 2022 was finalized by the Board of Directors at its meetings on October 28, 2020 and October 27, 2021, respectively. The dates of seven meetings of the Board of Directors are decided on the basis of this calendar. These comprise the quarterly and annual financial results publication dates, approximately forty-five to sixty days prior to the annual Shareholders' Meeting in order to review the documents and decisions to be presented, after the Shareholders' Meeting, and approximately twenty trading days after the dividend approved by the Shareholders' Meeting of April 29, 2022 is made payable for the granting of the annual stock option plan. The Statutory Auditors are invited to, and systematically attend, these meetings with the exception of the meeting to decide on the annual stock options plan.

In addition, the Board of Directors also meets outside of these dates to discuss other subjects falling within its responsibilities (including all planned acquisitions or the review of the Company's strategic plan) or those that the Chairman wishes to submit to the Directors.

The Secretary of the Board of Directors is systematically invited to attend and takes part in all Board of Directors meetings, except when prevented from doing so. His duties include, in coordination with and under the supervision of the Chairman and Chief Executive Officer, drafting the minutes of the Board of Directors' meetings and assisting the Directors regarding material and regulatory issues, particularly the payment of Directors' compensation, and filings on any securities transactions by Directors.

In accordance with article 2.5 of the Internal Rules and Procedures, decisions within the powers of the Board of Directors, as referred to in article L.225-37, paragraph 3 of the French Commercial Code, may be made by means of a written consultation of the Directors. The decisions in this connection are as follows:

- the appointment of a Director in the event of a vacancy caused by death or resignation or if the number of Directors is less than the minimum required by law or the articles of Association, or if the gender balance of the Board of Directors is not achieved;
- the authorization of commitments, guarantees and sureties;
- the amendment of the Company's by-laws to bring them into line with legal and regulatory requirements;
- the convening of the Shareholders' Meeting; and
- the decision to transfer the registered office within the same department of France.

In the event of a written consultation, the consultation notice including the text of the proposed proceedings, together with all documents necessary for the information of the Board of Directors, shall be sent to each Director by simple letter, or by fax, or by electronic mail. The period of time for responding shall be specified in the notice of consultation and must be reasonable. Voting shall be based on the text of the proposed proceedings and for each resolution shall be expressed by the words "yes," "no," or "abstain." The quorum and majority shall be calculated on the basis of Directors casting their votes. Decisions shall be adopted by a majority of votes. The consultation shall be recorded in the form of minutes of the proceedings of the Board of Directors by means of a written consultation, which shall be submitted to the Directors for approval.

The Board of Directors met ten times in 2021, with an effective attendance rate of 100%, no written consultations were held.

Work performed in 2021

The Board of Directors addressed, inter alia, the following matters in 2021:

- the parent company and consolidated financial statements for the fiscal year ended December 31, 2020 and the notes thereto;
- assessment of the first phase of the strategic roadmap for 2020-2022 and the scenarios for the 2020-2022 business plan;
- the Group's prospects for organic and external growth and the Group's principal strategic opportunities and initiatives, inter alia, on the acquisition of the Gerber group, Neteven, and Gemini CAD Systems ("**Gemini**");
- the budget for fiscal year 2021 and the related scenarios;
- the quarterly and half-year financial statements and management reports;
- press releases;
- CSR strategy;
- the reports of the Board of Directors to the annual Shareholders' Meeting of April 30, 2021 and the Combined Shareholder's Meeting of June 1, 2021 (the Management Discussion, the Non-financial Statement, the Report on Corporate Governance, the Reports on Proposed Resolutions and the Special Report on the Granting of Stock Options);
- the exercise of stock options during the fiscal year ended December 31, 2020, and the corresponding capital increase;
- authorization of commitments, guarantees and sureties;
- ordinary agreements entered into or continued during the fiscal year ended December 31, 2020;
- the compensation of company officers in respect of fiscal years 2020 and 2021, it being specified that in compliance with article 18.3 of the AFEP-MEDEF Code, the Board of Directors' deliberations and vote relating to the compensation of the Chairman and Chief Executive Officer took place in his absence;
- the composition of the Board of Directors and its committees, the selection of new Directors and the creation of a Nominations Committee;
- the financial forecast documents;
- the impacts of the COVID-19 epidemic and the measures taken by Lectra;
- determination of the methods for organizing the Combined Shareholders' Meetings of April 30, 2021 and June 1, 2021;
- the responses of the Board of Directors to the opinions issued by the Social and Economic Committee;
- the share buyback program and the liquidity agreement;
- the 2021 stock option plan;
- the self-evaluation of the functioning of the Board of Directors and its committees;
- Directors' independence;
- the policy for professional and pay equality and the policy on gender balance in managing bodies;
- amendments to the Company's By-laws;
- updating the Internal Rules and Procedures of the Board of Directors and the adoption of a selection procedure for Independent Directors;
- the financial calendar for the 2022 and 2023 fiscal years (through the Shareholders' Meeting of 2023).

Attendance of members of the Board of Directors

In accordance with article 11.1 of the AFEP-MEDEF Code, the following table reports on the individual attendance of each Director at meetings of the Board of Directors and its committees during fiscal year ended December 31, 2021:

	Board of Directors		***Audit Committee***		***Compensation Committee***		***Nominations Committee***		***Strategic Committee***	
	Number of meetings[1]	%	Number of meetings	%	Number of meetings	%	Number of meetings	%	Number of meetings	%
Daniel Harari Chairman and Chief Executive Officer	10/10	100%	Not a member		Not a member		Not a member		7/7	100%
Bernard Jourdan Lead Independent Director	10/10	100%	6/6	100%	7/7	100%	2/2	100%	7/7	100%
Céline Abecassis-Moedas[2] Independent Director	5/5	100%	2/2	100%	4/4	100%	2/2	100%	4/4	100%
Anne Binder Independent Director	10/10	100%	6/6	100%	7/7	100%	2/2	100%	7/7	100%
Jean Marie Canan[3] Director	4/4	100%	2/2	100%	4/4	100%	Not a member		4/4	100%
Nathalie Rossiensky Independent Director	10/10	100%	6/6	100%	7/7	100%	2/2	100%	7/7	100%
Average attendance rate		**100%**		**100%**		**100%**		**100%**		**100%**

(1) Meetings of the Non-Executive Directors in the absence of the Chairman and Chief Executive Officer are not counted when calculating the attendance rate or the compensation paid to the Directors. It is specified that all of the Non-Executive Directors attended the meeting that took place on December 8, 2021.

(2) For the period from April 30, 2021 to December 31, 2021, Céline Abecassis-Moedas having been named Director by the Combined Shareholders' Meeting of April 30, 2021.

(3) For the period from June 1, 2021 to December 31, 2021, Jean Marie Canan having been named Director by the Combined Shareholders' Meeting of June 1, 2021.

Organization of Board of Directors proceedings - communication of information to Directors

The agenda is set by the Chairman and Chief Executive Officer after consulting, when appropriate, with the Lead Director, who chairs the Audit Committee, the Compensation Committee and the Nominations Committee.

The specialized committees prepare the work of the Board of Directors and assist it in the examination of technical matters. When an item on the agenda of the Board of Directors requires prior discussion by the Audit Committee, the Compensation Committee, the Nominations Committee or the Strategic Committee, the Chairperson of the committee concerned communicates his committee's observations, if any, and recommendations to the full session of the Board of Directors. The Board of Directors is thus kept fully informed, facilitating its decisions.

Three to six days before each Board of Directors meeting, a set of documents is systematically addressed to each Director, to the employees' Social and Economic Committee representatives, to the Secretary of the Board of Directors and to the Statutory Auditors for the four meetings called to review the financial statements and for the meeting to prepare for the annual shareholders' meeting. Details of each item on the agenda are provided in a written document prepared by either the Chairman and Chief Executive Officer, the Executive Vice President, the Chief Financial Officer, as required, or are presented during the meeting itself.

As in previous years, in 2021 all documents to be communicated to the Directors were made available to them in compliance with regulations. Furthermore, the Chairman and Chief Executive Officer regularly asks the Directors if they require additional documents or reports in order to complete their information.

Detailed minutes are produced for each meeting and submitted to the Board of Directors for approval at a subsequent meeting.

Periodic meetings of the Non-Executive Directors in the absence of the Chairman and Chief Executive Officer

Article 11.3 of the AFEP-MEDEF Code recommends that the Directors meet periodically in the absence of the executive officers.

The Non-Executive Directors adopt this recommendation, stating the subjects they wish to discuss in the absence of the company officer on the occasion of their annual evaluation of the Board of Directors.

In 2021, the Non-Executive Directors met once on December 8, 2021 at which time an oral report was made to the Chairman and Chief Executive Officer. In addition to the assessment of the work of the Board of Directors, the Non-Executive Directors discussed a number of governance issues, took stock of the annual review of the Chairman and Chief Executive Officer's performance, and discussed his succession plan.

Attendance of the Directors at Shareholders' Meetings

Article 20 of the AFEP-MEDEF Code recommends that directors attend not only all meetings of the board of directors and of the committees to which they belong, but also attend shareholders' meetings.

Because of the COVID-19 epidemic restrictions, the annual Shareholders' Meeting of April 30, 2021 and the Combined Shareholders' Meeting of June 1, 2021, were held behind closed doors; the only participants physically present were Daniel Harari, in his capacity as Chairman; and Anne Binder and Bernard Jourdan, as scrutineers.

Evaluation of the Board of Directors

Under article 10 of the AFEP-MEDEF Code, the Board of Directors should, at least once a year, devote an item on its agenda to a discussion of its membership, organization and functioning. The Board of Directors also verifies that important questions are thoroughly prepared and discussed, and assesses the effective contribution of each Director to its work in light of their expertise and involvement in the discussions. This point is discussed at the February Board of Directors meeting, which reviews the financial statements for fiscal year ended December 31 of the previous year.

Article 10.3 of the AFEP-MEDEF Code also recommends a formal evaluation exercise every three years at least, assisted by an outside consultant should the need arise, and that the shareholders be informed annually of the performance of these evaluations. In accordance with these recommendations, the formal evaluation of the Board of Directors is carried out once every three years by the Lead Director on the basis of an internal questionnaire, which relates in particular to the appreciation of each Director's effective contribution to the work of the Board of Directors. The Non-Executive Directors meet annually, in the absence of the Chief Executive Officer, the sole executive company officer of Lectra, to take note of changes relative to the previous evaluation.

The previous three-year evaluation was performed at the end of 2021. As in previous years, the Non-Executive Directors declined to call upon an outside consultant; the evaluation was carried out with a preliminary survey of all members of the Board of Directors by the Lead Director. The survey findings were set out in an assessment matrix with 32 evaluation criteria; the findings were discussed during the meeting of the Non-Executive Directors on December 8, 2021. Prior to that meeting, the Lead Director, following the recommendations of the report by the High Committee for Corporate Governance (HGCE), also held individual meetings with each Director and with the Secretary of the Board of Directors, in order to hear their evaluations and remarks to identify possible improvements in the functioning of the Board of Directors. The conclusions of the Non-Executive Directors were then presented to the Chairman and Chief Executive Officer verbally during a meeting held on December 28, 2021, then to the full meeting of the Board of Directors on February 23, 2022.

The Non-Executive Directors reiterated their opinions of earlier years regarding the highly satisfactory functioning of the Board of Directors, the particularly high standard of governance within the Company, and the transparent relations with the Chairman and Chief Executive Officer founded on trust. They again emphasized the high level of demands that the Chairman and Chief Executive Officer and the Directors put upon themselves, notably with regard to the preparation and proceedings of Board of Directors and committee meetings, the quality, relevance and comprehensive nature of the information communicated to them with sufficient time to allow them to carry out the necessary analyses, despite the difficulties caused by the COVID-19 crisis. In 2021, activity was particularly intense in providing oversight of the work involved in the major acquisition of Gerber, and of the two other acquisitions made during the year, Neteven and Gemini. The Non-Executive Directors also expressed their appreciation for the quality of the discussions with the Group's management and Statutory Auditors, notably regarding meetings focused on subjects they wished to explore.

The Non-Executive Directors further stressed the frequency of the meetings of the Board of Directors, and of all the specialized committees, together with duration and productivity of the committee meetings and the good division of labor between them, allowing key issues to be discussed in greater depth, devoting the necessary time to them. The involvement, regular attendance and effective contribution of each of their members are a major asset.

The Non-Executive Directors reiterated their invitation to the Chairman and Chief Executive Officer to attend the meetings of the Audit and Compensation Committees as a guest, particularly when it is considered appropriate to hear from the Chairman and Chief Executive Officer.

The Chairman and Chief Executive Officer indicated however that he wished to fully comply with the recommendations of the AFEP-MEDEF Code and would attend only if expressly invited by the Chairman of the Audit and Compensation Committees to certain meetings in this context.

Finally, the Non-Executive Directors stated that they saw no major area in need of improvement at present. Areas that are the subject of continuous improvement were listed and discussed with the Chairman and Chief Executive Officer. Regular follow-up will be carried out to ensure that the Company continues to be a benchmark in corporate governance.

1.4.4. Committees of the Board of Directors

The Board of Directors has created four specialized committees: the Audit Committee, the Compensation Committee, the Nominations Committee[1] and the Strategic Committee. The members of the committees are appointed by the Board of Directors for an indefinite period and may be revoked by the Board of Directors deciding by a majority of its members, on a recommendation by the Chairman and Chief Executive Officer.

In accordance with the recommendations of the AFEP-MEDEF Code, the responsibilities and operating rules of each committee are set out in the Internal Rules and Procedures. Between meetings of the committees, their members may communicate as necessary by email, in particular with the Chairman and Chief Executive Officer, in order to obtain further information on certain questions.

Audit Committee

Membership

Former membership *(before the Shareholders' Meetings of 2021)**	**Current membership**
Bernard Jourdan (Chairman) Lead Independent Director	**Bernard Jourdan** (Chairman) Lead Independent Director
Anne Binder Independent Director	**Céline Abecassis-Moedas**** Independent Director
Nathalie Rossiensky Independent Director	**Anne Binder** Independent Director
	Jean Marie Canan*** Director
	Nathalie Rossiensky Independent Director

* *Combined Shareholders' Meeting of April 30, 2021 and Combined Shareholders' Meeting of June 1, 2021.*

** *As of April 30, 2021.*

*** *As of June 1, 2021.*

The Audit Committee is chaired by an Independent Director and does not include the Chairman and Chief Executive Officer. Four members of the Audit Committee are Independent Directors and one member is a Non-Independent Director.

In accordance with the recommendations of article 16.1 of the AFEP-MEDEF Code, all members of the Audit Committee are competent in financial or accounting matters, as a result of their academic qualifications and professional career (see their biographies above). In addition, under article 13.2 of the AFEP-MEDEF Code, the members of the Audit Committee are provided, at the time of their appointment, with information relating to the Lectra group's specific accounting, financial and operational features.

(1) The Nominations Committee was created by the Board of Directors during its meeting on July 29, 2021. Before this date, the functions of the Nominations Committee were performed by the Compensation Committee, given the limited number of Directors

Mission

As prescribed by law and as recommended by article 16.2 of the AFEP-MEDEF Code, the mission of the Audit Committee is to:

- review the assumptions used in closing the consolidated and statutory, quarterly, half-year and annual financial statements, the annual budget prepared by the Executive Committee, and the revenue and financial results scenarios for the fiscal year and their quarterly review, before review by the Board of Directors;
- review the financial statements, and in particular ensure the relevance and continuity of the Company's accounting methods used to prepare the consolidated and statutory financial statements; oversee the process for the preparation of financial disclosure and the effectiveness of internal control and risk management procedures; and, prior to meetings of the Board of Directors, review press releases and quarterly and annual financial announcements. The Audit Committee scrutinizes important transactions liable to give rise to conflicts of interest. It reviews significant risks and off-balance sheet liabilities, assesses the importance of malfunctions or shortcomings brought to its attention, and informs the Board of Directors thereof where appropriate. It also reviews the scope of consolidation and, where appropriate, examines reasons for the exclusion of companies;
- oversee the rules governing the independence and objectivity of the Statutory Auditors, manage the procedure for their selection when their current appointment expires, and make its recommendation to the Board of Directors. Each year the Statutory Auditors supply information to the Audit Committee on the services they have provided, other than certifying the financial statements, together with fees paid by Group companies to members of their network in respect of services not directly related to this mission;
- examine, in relation to the Group's strategy, the Group's commitment and policies in the areas of ethics and corporate social, environmental and societal responsibility, the implementation of such policies, and their results. In this respect, it checks for the existence of systems to identify and manage the principal risks relating to these issues, and for compliance with legal and regulatory requirements (including monitoring the application of French Law 2016-1691 of December 9, 2016 on transparency, the fight against corruption, and modernization of the economy, the "Sapin II Act", and Order 2017-1180 of July 19, 2017 and its enabling decree 2017-1265 of August 9, 2017 on the introduction of a non-financial statement).
  It examines the information provided annually in the Management Discussion in the form, for the first time in respect to fiscal year ended December 31, 2018, of a non-financial statement, appended to the Management Discussion of the Board of Directors (available on the Company's website, lectra.com) for non-financial information as required by law, particularly articles L. 22-10-36 and L. 225-102-1 of the French Commercial Code; and
- make recommendations and express all opinions to the Board of Directors.

In addition, the Audit Committee regularly reviews the recommendations and reports of the AMF and the HCGE regarding corporate social responsibility and corporate governance, the recommendations of the AFEP-MEDEF Code, and any related laws and regulations.

More generally, the Audit Committee may consider all questions brought to its attention and pertaining to the areas mentioned above. The Audit Committee Chairman reports on the committee's proceedings and recommendations to the Board of Directors at its meetings called to review the quarterly and annual financial statements.

Meetings

The Audit Committee meets at least four times a year, prior to the meetings of the Board of Directors called to review the quarterly and annual financial statements.

The Statutory Auditors and the Chief Financial Officer attend all of these meetings.

The Audit Committee continuously oversees the preparation of the Company's parent-company and consolidated accounts, internal audits and financial reporting practices, together with the quality and fairness of the Company's financial report. The Chief Financial Officer assists the Audit Committee in the performance of its duties, and the Audit Committee periodically reviews with him areas of potential risk to which it needs to be alerted or requiring closer attention. The Audit Committee also works with the Chief Financial Officer in reviewing and approving guidelines for the work program on management control and internal control for the year in progress.

The review of the financial statements is accompanied by a presentation by the Chief Financial Officer of the Company's financial results, accounting methods chosen, exposure to risks, including social, environmental and societal risks, as well as significant off-balance sheet commitments. The review of the half-year and annual accounts is also accompanied by a presentation by the Statutory Auditors drawing attention to the key features of financial results and the accounting choices made, together with an account of their auditing work and observations, if any. The Audit Committee Chairman systematically asks the Statutory Auditors if they intend to qualify their reports.

Under article 16.3, paragraph 1 of the AFEP-MEDEF Code, the Audit Committee ensures that sufficient time is allowed for transmission of the accounts and their review. The Audit Committee systematically meets in the morning on the day of the Board of Directors meeting, prior to the Board of Directors meeting, in order to shorten the time between the closing of consolidated and statutory financial statements and market disclosure. However, members of the Audit Committee and those of the Board of Directors are given sufficient time for consideration, the relevant documents being communicated to them three to six days before their meetings.

The Audit Committee held six meetings in 2021, with an effective attendance rate of 100%.

The Chairman and Chief Executive Officer, and the Executive Vice President, were invited to participate in all meetings.

Work performed in 2021

The Audit Committee addressed, inter alia, the following matters in 2021:

- the parent company and consolidated financial statements for fiscal year 2020, and the notes thereto;
- the reports to the Combined Shareholders' Meeting of April 30, 2021;
- review of the overall audits performed by the Statutory Auditors;
- agreements entered into in the ordinary course of business and related-party agreements, entered into or during the fiscal year ended December 31, 2020;
- the quarterly and half-year consolidated financial statements and management reports;
- financial notices and press releases;
- the goodwill impairment tests at December 31, 2020 and changes between 2019 and 2020;
- the deferred tax assets at December 31, 2020 and changes between 2019 and 2020;
- the Group budget, the revenue and financial results scenarios for fiscal year 2021;
- financial aspects of the acquisition of the group Gerber Technology;
- the integration of the Gerber Technology group, Neteven, and Gemini CAD Systems in the Group's financial statements;
- services other than certification of the financial statements;
- Statutory Auditors' fees;
- update of the risk mapping;
- update of the information system and data security plan and examination of the actions put in place; and
- ongoing tax audits.

In 2021, the Audit Committee did not identify any operations liable to give rise to a conflict of interest. In addition, it did not see fit to call upon outside experts.

Statutory Auditors

The Audit Committee reviews and discusses with the Statutory Auditors the scope of their engagement and their fees. Once a year, it receives from the Statutory Auditors a report prepared exclusively for its attention on the findings of their audit of the statutory and consolidated accounts for the fiscal year ended, and confirming the independence of their firms in accordance with the French Code of Professional Conduct and the August 1, 2003 (French) Financial Security Act.

On January 11, 2021, the Audit Committee devoted a working meeting with the Statutory Auditors and the finance team to the presentation of their overall audit approach and a review of controls on information systems revenue recognition applications.

The Audit Committee annually reviews with the Statutory Auditors the risks to their independence. Given the size of the Group, it is not deemed necessary to envisage precautionary measures in order to attenuate these risks.

The amount of the fees paid by the Company and its subsidiaries, and their share of total revenues of the audit firms and their networks, are not material and therefore not such as to impair the independence of the Statutory Auditors.

The Audit Committee assures itself each year that the mission of the Statutory Auditors is exclusive of all other services unrelated to their legally mandated audit, and in particular exclusive of all legal, tax, IT, etc. consulting work performed either directly or indirectly for the benefit of the Company or its subsidiaries. However, additional work or work directly complementing the audit of the financial statements is performed at the Audit Committee's recommendation; the corresponding fees are immaterial.

In this respect, on October 30, 2017 the Audit Committee approved a charter setting forth the authority of the Chairman and Chief Executive Officer, the Executive Vice President and Chief Financial Officer regarding contracting for the provision of services with the Statutory Auditors and their networks.

Compensation Committee

Membership

Former membership *(before the Shareholders' Meetings of 2021)*[1]	**Current membership**
Bernard Jourdan (Chairman) Lead Independent Director	**Bernard Jourdan** (Chairman) Lead Independent Director
Anne Binder Independent Director	**Céline Abecassis-Moedas**[2] Independent Director
Nathalie Rossiensky Independent Director	**Anne Binder** Independent Director
	Jean Marie Canan[3] Director
	Nathalie Rossiensky Independent Director

(1) Combined Shareholders' Meeting of April 30, 2021 and Combined Shareholders' Meeting of June 1, 2021.
(2) As of April 30, 2021.
(3) As of June 1, 2021.

The Compensation Committee is chaired by an Independent Director and does not include the Chairman and Chief Executive Officer. Four members of the Compensation Committee are Independent Directors and one member is a Non-Independent Director.

Article 18.1 of the AFEP-MEDEF Code states that it is advised that an employee director be a member of the Compensation Committee. However, inasmuch as the company is not covered by the obligation to appoint Directors who represent employees or employee shareholders, for the reasons stated above, this recommendation does not apply to it.

Missions

Under article 18.2 of the AFEP-MEDEF Code, the missions of the Compensation Committee are the following:

- review, prior to meetings of the Board of Directors called to vote on these questions, the principles and amount of fixed and variable compensation, together with the corresponding annual targets serving to determine the variable portion thereof, and the additional benefits paid to the company officers, and make recommendations. At year-end closing, the Compensation Committee validates the actual amount corresponding to variable compensation earned during the fiscal year ended;
- review the principles, criteria and the amount of fixed and variable compensation, and check whether or not annual targets governing calculation of the variable portion, together with additional benefits paid to members of the Executive Committee, are met;
- review the fixed and variable compensation of all Group managers whose total annual compensation exceeds €200,000 or its equivalent in foreign currencies;
- prepare the draft resolutions regarding compensation for company officers to be submitted to the Shareholders' Meeting for approval;
- review, prior to the meeting of the Board of Directors voting on these questions, the details, rules and granting of the annual stock options plan, and make its recommendations;
- review the Company policy on equal opportunities and equal pay, and make recommendations to the Board of Directors prior to annual discussion, as prescribed in Law 2011-103 of January 27, 2011, on the balance between women and men on boards of directors and supervisory boards and professional equality, and Law 2014-873 of August 4, 2014, to promote real equality between women and men;
- take cognizance annually of the Group's human resources performance report, of its policies and of the corresponding plan for the current fiscal year;
- to make any and all recommendations to the Board of Directors.

It should be noted that prior to the creation of the Nominations Committee in July 2021, the Compensation Committee dealt with all matters now under the responsibility of the Nominations Committee, including the preparation and updating of the succession plan for corporate officers and the selection of future Directors.

Meetings

The Compensation Committee organizes its work as it sees fit. It meets as often as the interests of the Company demand and at least once before each meeting of the Board of Directors whenever the agenda provides for the setting of compensation and benefits for the company officers, or for the granting of stock options, and reports on its recommendations to the Board of Directors.

The Compensation Committee met seven times in 2021 with an effective attendance rate of 100%.

The Chairman and Chief Executive Officer was invited to attend all meetings of the Compensation Committee, it being specified that he was associated with the Committee's work on the compensation policy applicable to the principal managers who are not company officers, in accordance with article 18.2 of the AFEP-MEDEF Code, and with the Committee's work when it acted as the Nominations Committee. The Chairman and Chief Executive Officer did not attend discussions on topics relating to his own compensation.

The Chief People Officer and the Executive Vice President were also invited to participate in some of the proceedings and discussions of the Compensation Committee.

Work performed in 2021

The Compensation Committee addressed, inter alia, the following matters in 2021:

- the compensation of company officers;
- the compensation of the members of the Executive Committee and the senior Group managers;
- the methods for calculating the criteria determining the 2021 variable compensation of the Chairman and Chief Executive Officer, the members of the Executive Committee, and the senior Group managers;
- the selection of new Directors whose election was proposed to the Shareholders' Meetings of April 30 and June 1, 2021[(1)];
- the succession plan for company officers and members of the Executive Committee[(1)];
- the incentive policy for 2021 and subsequent years;
- Directors' independence[(1)];
- the organization of the Group following the acquisition of Gerber Technology;
- the 2021 stock option plan; and
- the Company's policy for professional and pay equality.

Nominations Committee

Membership

Former membership	Current membership
N/A *(The Nominations Committee was created by the Board of Directors on July 29, 2021)*	**Bernard Jourdan** (Chairman) Lead Independent Director **Céline Abecassis-Moedas** Independent Director **Anne Binder** Independent Director **Nathalie Rossiensky** Independent Director

The Nominations Committee is chaired by the Lead Director and is composed exclusively of Independent Directors, in accordance with article 17.1 of the AFEP-MEDEF Code, which recommends that the committee in charge of nominations should not include any executive corporate officer and should be composed of a majority of Independent Directors.

(1) Work previously performed, prior to the creation of the Nominations Committee on July 29, 2021.

Missions

Under article 17.2 of the AFEP-MEDEF, the mission of the Nominations Committee is to:

- make proposals to the Board of Directors regarding the nomination and the re-election of Independent Directors, in the framework of the selection procedure. To do so, it organizes the search and selection of future Independent Directors, conducts its own review of potential candidates before they are approached in any way, and gives a reasoned opinion on the candidates, after having thoroughly examined all relevant information, particularly in light of the desired make-up of the Board of Directors as well as the make-up and changes in the Company's shareholding structure;
- set out the diversity policy applied to Directors and lead the reflection process regarding the desired make-up of the Board of Directors and its Committees;
- examine the independence status at the time of the nomination of a Director, and each year for all Directors, and make recommendations to the Board of Directors; and
- formulate its recommendations and express any and all opinions to the Board of Directors.

Meetings

The Nominations Committee organizes its work as it sees fit. It meets following notice from its Chairperson whenever he/she or the Board of Directors considers it appropriate, and at least once a year. No member of the Nominations Committee may attend or participate in the deliberations of the Committee regarding his or her personal case. The Nominations Committee reports on its proceedings to the Board of Directors at least once a year.

The Nominations Committee met two times in 2021 with an effective attendance rate of 100%.

Work performed in 2021

Continuing the work begun by the Compensation Committee, the Nominations Committee in 2021 dealt with the selection of new Directors to be proposed for election at the Annual Shareholders' Meeting of April 29, 2022.

Strategic Committee

Membership

Former membership *(before the Shareholders' Meetings of 2021)*[1]	**Current membership**
Daniel Harari (Chairman) Chairman and Chief Executive Officer	**Daniel Harari** (Chairman) Chairman and Chief Executive Officer
Bernard Jourdan Lead Independent Director	**Bernard Jourdan** Lead Independent Director
Anne Binder Independent Director	**Céline Abecassis-Moedas**[2] Independent Director
Nathalie Rossiensky Independent Director	**Anne Binder** Independent Director
	Jean Marie Canan[3] Director
	Nathalie Rossiensky Independent Director

(1) Combined Shareholders' Meeting of April 30, 2021 and Combined Shareholders' Meeting of June 1, 2021.
(2) As of April 30, 2021.
(3) As of June 1, 2021.

The Strategic Committee is chaired by Daniel Harari, Chairman and Chief Executive Committee of Lectra; it is comprised of all the members of the Board of Directors.

Missions

The prime mission of the Strategic Committee is to review the consistency of the Company's strategic plan, the key challenges and risks to which it is exposed, its internal and external growth drivers, and the optimization of its development in the medium term. It notably reviews and discusses the major strategic directions and development themes proposed by the Chairman and Chief Executive Officer, in order to prepare the Group for the global economic challenges and key risks to which it is exposed, and to reinforce its business model and its operating and financial ratios. It is regularly kept informed of their execution.

Within this framework, it studies and formulates recommendations on the strategic plan, on the broad aims of annual action plans, on external growth operations, and, finally, on financial or stock market transactions having a significant immediate or future impact on the share capital and more generally on equity of the shareholders.

The Strategic Committee reports on its proceedings to the Board of Directors at least once a year and whenever it wishes to make recommendations to the Board of Directors.

Meetings

The Strategic Committee organizes its work as it sees fit. It meets as often as the interests of the Company demand and at least once each year.

The Strategic Committee met seven times in 2021, with an effective attendance rate of 100%.

The Executive Vice President, the Strategy Director, the Chief Financial Officer, the Financial Director and the Chief Product Officer were invited to participate in certain work and discussions of the Strategic Committee, depending on the subjects examined.

Work performed in 2021

The Strategic Committee addressed, inter alia, the following matters in 2021:

- the 2020-2022 strategic roadmap, including a review of the progress made at December 31, 2020 and the priorities for fiscal year 2021;
- the 2020-2022 Business Plan and related scenarios;
- the 2021 budget and related scenarios;
- the projects to acquire Gerber, Neteven, and Gemini;
- the integration plan for Gerber Technology;
- the integration plan for Retviews, Neteven and Gemini;
- the development of Lectra's offers, and the offer strategy, mainly for the fashion market;
- the broad outlines of the research and development action plan, marketing plan and human resources plan;
- the impact on the Group's activities of developments in the macroeconomic and competitive environment; and
- the CSR strategy.

1.4.5. Lead Director

Article 3.3 of the AFEP-MEDEF Code provides that, when the board of directors decides to confer special tasks upon a director, and in particular a lead director, those tasks and the resources and prerogatives to which he or she has access must be described in the internal rules and procedures of the board of directors. It is recommended that the lead director be independent.

The position of Lead Director was created at the Board of Directors' meeting on February 9, 2017, and since that date, it is has been performed by Bernard Jourdan, an Independent Director, who is also serving as Chairman of the Audit, Compensation and Nominations Committees.

Under article 1.7 of the Internal Rules and Procedures specifies that the Lead Director is entrusted with certain specific tasks:

- to perform the role of leader of the Non-Executive Directors;
- to organize at his/her discretion, and at least once a year, and to set the agenda and chair meetings of the Non-Executive Directors in the absence of the Chairman and Chief Executive Officer, in order to evaluate his performance and his succession plan, and to report to the Chairman and Chief Executive Officer and to the Board of Directors in full session, as appropriate;
- to direct the annual evaluation of the Board of Directors;
- to monitor and manage possible conflicts of interest in connection with the company officers;
- to propose to the Chairman and Chief Executive Officer, if necessary, items for placing on the agenda of meetings of the Board of Directors;
- to oversee the selection process for future Independent Directors; and
- in the event the Chairman and Chief Executive Officer should be unable to do so, to convene and to chair meetings of the Board of Directors.

Except within the framework of exceptional missions entrusted to him/her and as explicitly provided for, the Lead Director has no authority to communicate with the shareholders in the name of the Board of Directors.

The Lead Director is assisted by the Secretary of the Board of Directors, who is appointed by the Board of Directors from among the members of the Company's management team, for the

performance of administrative tasks arising from his/her role and receives no compensation in respect of this role. The Lead Director reports to the Board of Directors on his/her duties at least once a year. The report on his/her activity in 2021 appears below.

Lead Director's Activity Report in 2021

During fiscal year ended December 31, 2021, the Lead Director attended all meetings of the Board of Directors, and all meetings of the Audit Committee, the Compensation Committee, the Nominations Committee and the Strategic Committee. He was able to fully carry out, to his satisfaction, his missions during fiscal year ended December 31, 2021, as he stated at the meeting of the Board of Directors on February 23, 2022, when he reported on his activity. He chaired the meeting of Non-Executive Directors, December 8, 2021, in the absence of the Chairman and Chief Executive Officer. The objective of this meeting was to carry out the assessment of the operation of the Board of Directors. The agenda for this meeting also included the assessment of the performance of the Chairman and Chief Executive Officer, the review of his compensation components and his succession plan, as he reported at the meeting of the Board of Directors on February 23, 2022. The Lead Director had no knowledge of any potential conflicts of interest affecting the Chairman and Chief Executive Officer.

1.4.6. Chairman and Chief Executive Officer's succession plan

Under article 17.2.2 of the AFEP-MEDEF Code and article 2.3 of the Internal Rules and Procedures, the Non-Executive Directors meet in ad hoc committee periodically to draw up and review a succession plan for the company officers. The Chairman and Chief Executive Officer can also be involved in the ad hoc committee's work during the conduct of this task.

In accordance with the recommendations of the French High Committee for Corporate Governance, this succession plan is intended to prepare not only for the untimely departure or demise of the principal company officer, but also for "foreseeable" departures, in particular due to age limitations.

The Non-Executive Directors began considering this succession plan in 2012 with a view to the long term or in anticipation of unforeseeable events and have discussed it several times, most notably to prepare for the departure of André Harari, who was then Chairman of the Board of Directors, in July 2017.

Daniel Harari, Chairman and Chief Executive Officer since July 2017, has confirmed his intention to continue in his position for at least a further four-year term at the end of his current term, i.e. until the Ordinary Shareholders' Meeting called to approve the financial statements for fiscal year ended December 31, 2027.

The Company has the requisite array of competencies to cope with a temporary absence of Daniel Harari, thanks in particular to the organization and smooth functioning of the Executive Committee and the Board of Directors. In the event of an untimely departure or demise, all of the Board of Directors members are sufficiently familiar with Lectra's strategic orientations, markets and practices to be able to identify, in the shortest possible time, suitable solutions to enable Lectra to continue its development.

Furthermore, at its meeting on September 17, 2020, the Compensation Committee began to work on a succession plan for the members of the Board of Directors whose terms expire at the Shareholders' Meeting called to approve the financial statements for the fiscal year ending December 31, 2022, and for the members of the Executive Committee expected to retire in the period from 2023 to 2025. This work was continued in 2021 by the Nominations Committee.

2. Compensation and benefits of company officers and directors

In accordance with legal and regulatory requirements, and the recommendations of the AFEP-MEDEF Code, this chapter describes (i) the compensation policy for company officers of Lectra for fiscal year 2022 and subsequent years, (ii) the components of compensation paid or granted to them during the fiscal year ended December 31, 2021, and (iii) changes in the compensation of the company officers over the past five fiscal years in light of the changes in the compensation of employees and the Company's economic performance.

The compensation policy applied to the company officer (*dirigeant mandataire social*) and the information relating to his potential or actual compensation are also published on the Company's website (https://www.lectra.com/en/investors) after the meeting of the Board of Directors held to approve them, as recommended in article 26.1 of the AFEP-MEDEF Code.

2.1 Compensation policy for company officers and directors

The compensation policy applied to company officers and Directors of Lectra is determined by the Board of Directors, on a proposal by the Compensation Committee, as provided under article L. 22-10-8 of the French Commercial Code. The policy has two chapters: the compensation policy for the Chairman and Chief Executive Officer, the only company officer (*dirigeant mandataire social*) of Lectra; and the compensation policy for the members of the Board of Directors.

The two policies are subject to an annual binding ex-ante vote by the Shareholders' Meeting, in separate resolutions. In the event of failure of the ex-ante vote, the compensation policy previously approved by the Shareholders' Meeting would continue to apply.

2.1.1. Policy governing the compensation of the Chairman and Chief Executive Officer

General principles

The compensation policy for the Chairman and Chief Executive Officer, as determined by the Board of Directors during its meeting on February 23, 2022 in respect of fiscal year 2022 is in line, in terms of principles and structure, with the policy of previous fiscal years, in particular, with the policy approved by the Shareholders Meeting of April 30, 2021.

The decision making process for setting, reviewing and implementing the compensation policy, including measures to avoid or manage conflicts of interest and the role of the Compensation Committee, are discussed in detail in chapter 1, "Directors and Managing Bodies", above.

In accordance with the recommendations of the AFEP-MEDEF Code, and in keeping with good governance practices, the Board of Directors ensures that the compensation policy is clear and transparent; consistent with the long-term strategy and the environment in which Lectra operates, with the Group's challenges and objectives; and also that it is capable of incentivizing performance and competitiveness by the officer.

Furthermore, this policy reflects the experience, competencies and responsibilities of the Chairman and Chief Executive Officer; and takes into account the scope of the missions assigned to him.

The compensation of the Chairman and Chief Executive Officer includes variable compensation that is intended to promote consistent implementation of strategy, year after year. The variable compensation of the Chairman and Chief Executive Officer is calculated on the basis of clear and complementary quantifiable criteria (to the exclusion of any qualitative criteria), expressed in terms of precisely-determined and predefined annual objectives reflecting the Company's strategy of profitable sales activity and earnings growth. In accordance with article 25.3.2 of the AFEP-MEDEF Code, these quantifiable criteria are simple, relevant and suited to the Company's strategy; and they account for the largest share of this variable compensation.

The three criteria used to determine the variable compensation of the Chairman and Chief Executive Officer correspond to the Group's three main objectives for the period covered by the 2020-2022 strategic roadmap:

- to grow sales, particularly for the Industry 4.0 offers launched in 2018-2019;
- to optimize income from operations; and
- to maintain and expand recurring contracts, particularly software subscriptions.

The annual objectives are set in advance, at the start of the year for that fiscal year, by the Board of Directors based on a recommendation by the Compensation Committee.

The Board of Directors, with support from the Compensation Committee, is responsible for ensuring that the rules for setting the variable portion of compensation each year are consistent and in line with the evaluation of company officer' performance, with progress made in implementing the Group's medium-term strategy, general macroeconomic conditions, and in particular those of the geographic markets and market sectors in which the Company operates. After the close of each fiscal year, the Compensation Committee verifies the annual application of these rules and the final amount of variable compensation, on the basis of the audited financial statements.

The Board of Directors is also responsible for ensuring that the compensation policy for the Chairman and Chief Executive Officer is appropriate in light of the conditions of employee compensation at Lectra.

The performance criteria applicable to the variable compensation of Group employees eligible for this type of compensation are accordingly aligned with those applicable to the Chairman and Chief Executive Officer.

This compensation policy, the structure and fundamental principles of which have remained unchanged for several years, has proved its worth both in tough years and in years of record profits.

Structure of compensation

The annual compensation of the Chairman and Chief Executive Officer comprises a fixed portion and a variable portion.

The total annual amount of compensation, the ratio of the fixed to variable components, and the criteria for performance evaluation are established and regularly reexamined by the Board of Directors, without necessarily being revised each year.

The compensation policy for the Chairman and Chief Executive Officer is subject to approval by the Shareholders' Meeting each year.

The compensation of the Chairman and Chief Executive Officer does not include any multiyear variable compensation, any exceptional compensation, any form of bonuses, stock options, performance-based shares or other long-term component of compensation, or any indemnity relating to the take-up or termination of his function, nor any supplementary retirement plan.

The Chairman and Chief Executive Officer, in his capacity as Chairman of the Board of Directors and Director, also receives compensation allocated to the Directors detailed below.

The only benefit accorded concerns the value of the use of a company car; the amount is set out for each fiscal year in the Board of Directors' Report on Corporate Governance.

The Chairman and Chief Executive Officer has never combined his positions as company officer with an employment contract, is not entitled to any component of compensation, indemnity or benefit owed or liable to be owed to him in virtue of a termination or change of his functions, or under an additional pension benefits plan or any additional defined benefit pension plan, stock options or bonus shares.

In accordance with the AFEP-MEDEF Code, the table below lists the existence or otherwise of an employment contract, supplementary pension scheme, indemnifications or benefits due or likely to become due as a result of termination or change of position, and indemnifications relating to a non-competition clause.

Employment contract/Directorship

Daniel Harari, Chairman and Chief Executive Officer

Beginning date of each term of office:

- Chief Executive Officer (Board of Directors meeting of 1991)[1]
- Director (Ordinary Shareholders' Meeting of April 30, 2020)[2]
- Chairman of the Board of Directors (Board of Directors meeting of April 30, 2020)

End date of term of office as Director: Shareholders' Meeting of 2024

Contract of employment	*NO*
Supplementary pension scheme	*NO*
Indemnifications or benefits due or likely become due as a result of termination or change of position	*NO*
Indemnifications relating to a non-competition clause	*NO*

(1) It is specified that from 1991 to 2002, Daniel Harari served as Chairman and Chief Executive Officer of Lectra.

(2) Last renewal date.

The compensation of the Chairman and Chief Executive Officer is paid in its entirety by the Company. He receives no compensation or particular benefit from companies controlled by Lectra within the meaning of article L. 233-16 of the French Commercial Code. Lectra is not controlled by any company.

Compensation of the Chairman and Chief Executive Officer for fiscal year ending December 31, 2022

In accordance with the above-mentioned principals and subject to approval by the Shareholders' Meeting of April 29, 2022, the Board of Directors, at its meeting on February 23, 2022, on a recommendation by the Compensation Committee on February 23, 2022, decided to:

- maintain the total annual target-based compensation of the Chairman and Chief Executive Officer at €780,000 for fiscal year 2022;
- maintain the fixed to variable compensation ratio for fiscal year 2022: the fixed compensation of the Chairman and Chief Executive Officer would account for 50% of his total annual target-based compensation, and the variable compensation would account for 50% of his total annual target-based compensation.

As a reminder, the total annual target-based compensation of Daniel Harari, as well as the fixed to variable compensation ratio, were set by a decision of the Board of Directors on July 27, 2017, when he became Chairman and Chief Executive Officer, and have remained unchanged since that date.

Fixed compensation

In accordance with the decision of the Board of Directors at its meeting on February 23, 2022, and subject to approval by the Shareholders' Meeting of April 29, 2022, the fixed compensation of the Chairman and Chief Executive Officer for fiscal year 2022 would remain at €390,000.

Variable compensation

In accordance with the decision of the Board of Directors at its meeting on February 23, 2022, and subject to approval by the Shareholders' Meeting of April 29, 2022, the target-based variable compensation of the Chairman and Chief Executive Officer for fiscal year 2021 would remain at €390,000 in 2022.

In accordance with the abovementioned principles and on a recommendation by the Compensation Committee, at its meeting on February 25, 2020, the Board of Directors revised for the 2020-2022 period, and subsequently adjusted a first time, on February 24, 2021, and then a second time on July 29, 2021 to take into account the acquisition of Gerber Technology, the performance criteria reflecting the Company's strategy of profitable sales activity and earnings growth used to determine the variable compensation of the Chairman and Chief Executive Officer, reducing the number to three criteria and increasing the weighting for recurring contracts in light of the 2020-2022 strategic roadmap's objectives:

(i) a criterion measuring the contributive value of growth in sales activity (accounting for 40%);

(ii) consolidated income before tax, excluding net financial expense and non-recurring items (accounting for 30%);

(iii) protection and growth of recurring contracts (accounting for 30%).

The "Protection of recurring contracts" criterion was adjusted by the Board of Directors on February 24, 2021, for fiscal year 2021, to measure the continuation of contracts in effect on January 1 of the year.

Making use of the derogation provided in the compensation policy approved by the Combined Shareholders' Meeting of April 30, 2021, the Board of Directors, meeting on July 29, 2021, adjusted the rules for calculating the performance criteria relating to the contributive value of growth in sales activity, and to the protection of recurring contracts, in order to include the results of Gerber Technology in the second half of 2021, as the rules for calculating the criterion relating to income before tax remained unchanged. In 2022, all the criteria include the results of Gerber Technology.

For each of the three criteria, the variable compensation is equal to zero below specified thresholds, equal to 100% if the annual objectives are achieved, and capped at 200% if the annual objectives are exceeded. Between these thresholds, it is calculated on a straight-line basis.

These results are then weighted by the relative weight of each criterion. Only the annual objectives and the corresponding thresholds are reviewed each year in light of the Group's objectives for the year.

The variable compensation is accordingly equal to 0% if none of the thresholds is met, and is capped at 200% of the target-based variable amount if the annual objectives are exceeded for all the criteria and cause each to be capped at 200%. As variable compensation accounts for 50% of the total annual target-based compensation, the actual total compensation can therefore vary, depending on performance, between 50% and 150% of the target-based amount.

In other words, variable compensation is between 0 and 200% of fixed compensation.

These criteria and targets apply also to the members of the Executive Committee, excluding the region leaders; the only differences being the weighting given to each criterion and the relative share of their target-based variable compensation, which is specifically geared to each of them and adapted to their duties and targets; their variable compensation thus ranges from 15% to 35% of total target-based compensation depending on the member of the Executive Committee. These criteria also apply to certain managers reporting to them, with the same specific features.

Under article L. 22-10-8, III, paragraph 2 of the French Commercial Code, the Board of Directors may, on the recommendation of the Compensation Committee, temporarily derogate from the compensation policy for the Chairman and Chief Executive Officer in exceptional circumstances and insofar as the changes made are in the Company's interest and necessary to ensure the Company's continuity or viability.

The compensation component for which such derogation is permitted is the annual variable compensation. Such derogation would consist in a change to one or several performance criteria and annual targets mentioned above, inter alia the upward or downward adjustment of one or more of the parameters for those criteria or targets, e.g., weight, threshold performance level, or basis for calculation), in the event of exceptional circumstances arising inter alia from a significant change in the Group's scope of consolidation following a merger or divestment, the acquisition or creation of a new business of material importance, or the discontinuation of a business of material importance, or a major change in strategy or major event affecting the Group's markets and/or business sector.

Modification of these criteria and targets by the Board of Directors could thus take into account changes in the Group's scope of consolidation following an exceptional external growth operation, if the situation of the Company and Group were to so warrant. Any such modification would be implemented strictly and ensure that the actual performance of the Group and of the Chairman and Chief Executive Officer continues to be reflected. It would be clearly explained and made public, with the Company providing specific information to justify the derogation in light of its situation, the reasons such derogation is required, and its alignment with the shareholders' interests.

Payment of the variable compensation would in all cases continue to be subject to approval by the shareholders.

Draft resolution submitted to the Shareholders' Meeting

« Tenth resolution: approval of the policy governing the compensation of the Chairman and Chief Executive Officer in respect of fiscal year 2022

The Shareholders' Meeting, voting on the quorum and majority conditions for ordinary shareholders' meetings, and having reviewed the Report on Corporate Governance prepared in compliance with the provisions of article L. 22-10-8 of the French Commercial Code, approves the policy governing the compensation of the Chairman and Chief Executive Officer, proposed in respect of fiscal year 2022, as described in chapter 2.1.1 of the Report on Corporate Governance. »

2.1.2. Policy governing the compensation of the Directors

Under article L.225-45 of the French Commercial Code, the maximum annual amount of Directors' compensation is voted by the Ordinary Shareholders' Meeting; its apportionment is decided annually by the Board of Directors, on the recommendation of the Compensation Committee, in keeping with the compensation policy.

Maximum annual amount of compensation

The maximum annual amount allocated to the Directors as compensation for their duties was set at €288,000 by the Shareholders' Meeting of April 30, 2021, until a new decision is made.

The Board of Directors will propose that the annual Shareholders' Meeting of April 29, 2022 increase the maximum annual amount of compensation for Directors from €288,000 to €480,000, to take account of (i) the change in the Group's dimension, (ii) the increase in the number of meetings by the Board of Directors and the committees, (iii) the addition of new members of the Board of Directors and the creation of the Nominations Committee (in July 2021) and a CSR Committee (planned in 2022), and to raise the annual compensation amounts, which had remained unchanged for many years.

Apportionment

On a recommendation of the Compensation Committee, the Board of Directors on February 23, 2022 revised the method for apportioning the maximum annual amount among the Directors, considering that the rules for apportionment in effect for fiscal years 2016 through 2021 were no longer appropriate.

The new method, which will be applied starting in fiscal year 2022, is intended to ensure a better distribution based on the effective participation in the meetings of the Board of Directors and the specialized committees and each Director's responsibilities; the method is fair and consistent with good practices. It takes into account the planned membership of the specialized committees, the increased number of meetings and increased work, and the corresponding greater responsibility of the Chairpersons of the specialized committees.

The principal rules for apportionment of the maximum annual amount are the following:

- the compensation of each Director includes:
  - (i) a fixed component, defined on the basis of the Director's responsibilities (Chairperson of the Board of Directors and the specialized committees, position of Lead Director) and is calculated *prorata temporis* for Directors whose terms ended or began during the year; and
  - (ii) a predominant variable component representing approximately 70% of the annual compensation, which is allocated annually by the Board of Directors based on their effective attendance at meetings of the Board of Directors and of the specialized committees;
- individual annual compensation is capped at €65,000;
- because the sum of the Directors' individual annual compensation cannot exceed the total amount authorized by the Shareholders' Meeting, the individual annual compensation amounts could be subject to a proportional reduction if a large number of extraordinary meetings were to be held during the year;
- the method of participation (in person or by tele- or video-conference) is not taken into consideration, it being noted that all Directors are encouraged to attend all meetings in person, and that remote attendance must be authorized by the Chairman of the Board of Directors or by the Chairpersons of the relevant specialized committees;
- no additional compensation is granted to non-resident Directors.

The following table summarizes the rules for apportionment applicable for a full year, if the Board of Directors and the committees were to hold the number of meetings planned for 2022 at the date of this Report:

	Fixed component	**Variable component** *(per meeting)*	**Maximum amount**
Board of Directors			**Maximum amount for the Board of Directors[2]**
Chairman	€25,000	€2,000	€39,000
Lead Director	€20,000	€2,000	€34,000
Member	€15,000	€2,000	€29,000
Specialized committees			**Maximum amount for each specialized committee [2]**
Audit Committee			
Chairperson	€5,000	€1,500	€12,500
Member	N/A	€1,500	€7,500
Strategic Committee			
Chairperson	€3,000 €	€1,500	€12,000
Member	N/A	€1,500	€9,000
Compensation Committee			
Chairperson	€3,000	€1,500	€9,000
Member	N/A	€1,500	€6,000
CSR Committee [1]			
Chairperson	€3,000	€1,500	€7,500
Member	N/A	€1,500	€4,500
Nominations Committee			
Chairperson	€3,000	€1,500	€7,500
Member	N/A	€1,500	€4,500
Maximum annual amount *(subject to approval by the Shareholders' Meeting of April 29, 2022)*			**€480,000**
Cap on individual annual compensation			**€65,000**

(1) Establishment of a CSR Committee is planned for the second quarter of 2022.

(2) For example, based on 100% attendance and 7 meetings scheduled in the year.

(3) For example, based on 100% attendance and 21 meetings scheduled in the year (5 meetings of the Audit Committee, 4 meetings of the Compensation Committee, 3 meetings of the Nominations Committee, 6 meetings of the Strategic Committee and 3 meetings of the CSR Committee).

Directors other than the Chairman and Chief Executive Officer receive no other form of compensation from the Company or from any company in the Lectra group.

The components of the compensation of the Chairman and Chief Executive Officer are set out in section 2.1.1. of this Report.

Finally, it is specified that the Company may pay directly, or reimburse upon presentation of supporting documents, expenses incurred by Directors in connection with attendance at meetings of the Board of Directors and specialized committees.

Draft resolutions submitted to the Shareholders' Meeting

« Ninth resolution: approval of total annual amount of Directors' compensation

The Shareholders' Meeting, voting on the quorum and majority conditions for ordinary shareholders' meetings, and having reviewed the report of the Board of Directors on the draft resolutions, resolves to set at €480,000 the maximum annual amount of compensation to be paid to the Board of Directors, until such time as decided otherwise. »

« Eleventh resolution: approval of the policy governing the compensation of the Directors in respect of fiscal year 2022

The Shareholders' Meeting, voting on the quorum and majority conditions for ordinary shareholders' meetings, and having reviewed the Report on Corporate Governance prepared in compliance with the provisions of article L. 22-10-8 of the French Commercial Code, approves the policy governing the compensation of the Directors, proposed in respect of fiscal year 2022, as described in chapter 2.1.2 of the Report on Corporate Governance. »

2.2 Components of compensation paid or granted to the company officers in respect of fiscal year 2021

The components of compensation paid or granted to the company officers in respect of the fiscal year ended December 31, 2021, are determined in accordance with the compensation policy previously approved by the Shareholders' Meeting.

The information referred to in article L. 22-10-9 I relating to the total compensation and benefits of all kinds, with a distinction between the fixed and variable components, paid or granted in respect of their position as company officers during the fiscal year ended December 31, 2021, and mentioning notably the proportion of fixed and variable compensation and the commitments undertaken by the Company due to commencement or termination of their position as company officers, including retirement benefit obligations, must be the subject of an ex post vote by the Shareholders' Meeting called to approve the financial statements for the fiscal year ended December 31, 2021.

The amount of the fixed compensation paid and the amount of the variable compensation granted in respect of fiscal year 2021 to Daniel Harari, in his capacity as Chairman and Chief Executive Officer, must be the subject of an ex post vote by the Shareholders' Meeting called to approve the financial statements for fiscal year ended December 31, 2021.

In the event of failure of the ex post vote on the compensation paid or granted to the Chairman and Chief Executive Officer, no variable or exceptional components of compensation could be paid to him.

In the event of failure of the ex post vote on the information presented in the Report on Corporate Governance relating to compensation of company officers in compliance with article L. 22-10-9 of the French Commercial Code, the Board of Directors would then submit a revised policy to the subsequent Shareholders' Meeting. Payment of Directors' compensation would be suspended until the vote at such subsequent Shareholders' Meeting. In the event of a negative vote on the revised compensation policy proposal, the compensation would not be paid.

2.2.1. Compensation of the Chairman and Chief Executive Officer in respect of fiscal year 2021

The elements of compensation and benefits paid or granted to Daniel Harari, Chairman and Chief Executive Officer, in respect of fiscal year 2021, and set out below, are consistent with the compensation policy, as determined by the Board of Directors during its meeting on February 24, 2021 and approved with a 97.18% vote at the Shareholders' Meeting of April 30, 2021.

Summary table of the elements of compensation paid or granted to Daniel Harari, Chairman and Chief Executive Officer of Lectra, in respect of fiscal year 2021, submitted for approval by the shareholders

Components of compensation	Amount	Comments
Annual fixed compensation	€390,000 *(amount paid)*	On a recommendation by the Compensation Committee, the Board of Directors, at its meeting on February 24, 2021, decided to maintain at €390,000 the gross fixed annual compensation of Daniel Harari, in his capacity as Chairman and Chief Executive Officer, for the fiscal year 2021. The fixed compensation remains unchanged since July 2017. Daniel Harari therefore received gross compensation of €390,000 in respect of the period from January 1, 2021 to December 31, 2021. This compensation was paid on a monthly basis.
Variable annual compensation	€762,311 *(subject to approval by the Shareholders' Meeting of April 29, 2022)*	On a recommendation by the Compensation Committee, the Board of Directors, at its meeting on February 24, 2021, decided to maintain at €390,000 - subject to achieving objectives - the variable annual compensation of Daniel Harari, in his capacity as Chairman and Chief Executive Officer, for the fiscal year 2021. The target-based variable compensation remains unchanged since July 2017. The Board of Directors revised, at its meeting on February 25, 2020, for the 2020-2022 period, then adjusted, for the first time in the year, on February 24, 2021, and for the second time in the year, on July 29, 2021 to take into account the acquisition of Gerber, the performance criteria reflecting the Company's strategy of profitable sales activity and earnings growth used to determine the variable compensation of Daniel Harari, reducing the number of criteria from four to three and increasing the weighting for growth in recurring contracts, in light of objectives of the 2020-2022 strategic roadmap: (i) a criterion measuring the contributive value of growth in sales activity (accounting for 40%); (ii) consolidated income before tax, excluding net financial expense and non-recurring items (accounting for 30%); and (iii) protection and growth of recurring contracts (30%).

		The "Protection of recurring contracts" criterion was adjusted by the Board of Directors on February 24, 2021, for fiscal year 2021, to measure the continuation of contracts in effect on January 1 of the year. Making use of the derogation provided in the compensation policy approved by the Combined Shareholders' Meeting of April 30, 2021, the Board of Directors, meeting on July 29, 2021, adjusted the rules for calculating the performance criteria relating to the contributive value of growth in sales activity, and to the protection of recurring contracts, in order to include the results of Gerber in the second half of 2021, as the rules for calculating the criterion relating to income before tax remained unchanged. For each of the three criteria, the variable compensation is equal to zero below specified thresholds, equal to 100% if the annual objectives are achieved, and capped at 200% if the annual objectives are exceeded. Between these thresholds, it is calculated on a straight-line basis. These results are then weighted by the relative weight of each criterion. Only the annual objectives and the corresponding thresholds are reviewed each year in light of the Group's objectives for the year. The variable compensation is accordingly equal to 0% if none of the thresholds is met and is capped at 200% of the target-based variable amount if the annual objectives are exceeded for all the criteria and cause each to be capped at 200%. The fixed compensation and the variable compensation of the Chairman and Chief Executive Officer each account for 50% of the total target-based compensation, the actual total compensation can therefore vary, depending on performance, between 50% and 150% of the target-based amount. In other words, variable compensation is between 0 and 200% of fixed compensation. At its meeting on February 9, 2022, the Board of Directors, on a proposal by the Compensation Committee, determined the degree to which the above performance criteria had been achieved for 2021: (i) 200% for the contributive value of growth in sales activity; (ii) 200% for consolidated income before tax; (iii) 185% for protection and growth of recurring contracts. In total, the percentage obtained for the variable portion of Daniel Harari's compensation represented 195% of the total amount set for achieving the annual performance objectives (13% in 2020), and his variable compensation in respect of fiscal year 2021 was therefore €762,311 (€50,979 in 2020).
Multiyear variable compensation	N/A	Daniel Harari receives no multiyear variable compensation.
Exceptional compensation	N/A	Daniel Harari receives no exceptional compensation.
Stock options, performance-related shares or other long-term benefits	N/A	Daniel Harari receives no stock options, performance-related shares or other long-term benefits.
Compensation in his capacity as Director	€40,000	In keeping with the rules for allocation of Directors' compensation, as determined at its meeting on February 11, 2016, the Board of Directors, at its meeting on February 9, 2022, decided to allocate to Daniel Harari the amount of €40,000 in his capacity as Director in respect of fiscal year ended December 31, 2021.
Value of benefits in kind	€9,244	The only benefit in kind corresponds to the tax value of the use of the company car, which amounted to €9,244 for fiscal year ended December 31, 2021.
Termination payment	N/A	No termination payment is planned for Daniel Harari.
Indemnifications relating to a non-competition clause	N/A	There is no commitment to provide Daniel Harari with indemnification relating to a non-competition clause.
Collective benefit schemes	N/A	Daniel Harari does not benefit from any collective benefit scheme.
Supplementary pension scheme	N/A	Daniel Harari does not benefit from any supplementary pension scheme.

Achievement of variable annual compensation criteria of the Chairman and Chief Executive Officer

Quantitative performance criteria	Weighting of criterion	Variable compensation percentage achievement: Minimum 0%	Objective 100%	Maximum 200%	Percentage achieved	Amount
Contributive value of growth in sales activity	40%	60% of the objective	Objective	120% of the objective	**200%**	
Consolidated income before tax, excluding net financial expense and non-recurring items	30%	Objective less than 8 million euros	Objective	Objective more than 4 million euros	**200%**	
Growth in recurring contracts, of which:	30%				**185%**	
■ Lectra installed base	25%	Objective less than 2.6 million euros	Objective	Objective more than 1.9 million euros		
■ Gerber installed base	5%	85% of the objective	Objective	110% of the objective		
Total	100%				**195%**	**€762,311**

Synthesis of the Chairman and Chief Executive Officer's compensation in respect of 2021

Following the recommendations in article 26 of the AFEP-MEDEF Code, the table below presents the fixed and variable compensation (gross amounts before social contribution deductions) assuming fulfillment of annual targets and the actual compensation effectively earned, in respect of fiscal year ended December 31, 2021:

Table summarizing the fixed and variable annual compensation of the Chairman and Chief Executive Officer

Daniel Harari Chairman and Chief Executive Officer *(in euros)*	2021: Compensation assuming fulfillment of annual targets	2021: Actual compensation earned in respect of the fiscal year	2021: % Actual compensation/ Compensation assuming fulfillment of annual targets	2020: Compensation assuming fulfillment of annual targets	2020: Actual compensation earned in respect of the fiscal year	2020: % Actual compensation/ Compensation assuming fulfillment of annual targets
Fixed compensation	390,000	390,000	100%	390,000	390,000	100%
Variable compensation	390,000	762,311	195%	390,000	50,979	13%
Total	**780,000**	**1,152,311**	**148%**	**780,000**	**440,979**	**57%**

The table below shows fixed and variable compensation (gross amounts before deduction of social contributions), benefits in kind, and compensation in his capacity as Director due in respect of fiscal year ended December 31, 2021 and amounts actually paid in the year:

Table summarizing the compensation of the Chairman and Chief Executive Officer

(in euros)	2021: Amounts earned in respect of the fiscal year	2021: Amounts paid in the year	2020: Amounts earned in respect of the fiscal year	2020: Amounts paid in the year
Daniel Harari Chairman and Chief Executive Officer				
Fixed compensation	390,000	390,000	390,000	390,000
Variable compensation[1]	762,311	50,979	50,979	240,172
Extraordinary compensation	N/A	N/A	N/A	N/A
Compensation in his capacity as Director	40,000	40,000	40,000	40,000
Benefits in kind[2]	9,244	9,244	13,444	13,444
Total	**1,201,555**	**490,223**	**494,423**	**683,616**

(1) The variable compensation in respect of fiscal year 2020 was paid in 2021; the variable compensation in respect of fiscal year 2021 will be paid in 2022, subject to approval by the Combined Shareholders' Meeting of April 29, 2022. The difference between the percentage of variable compensation granted in respect of fiscal year 2020 (57%), which was paid in 2021, and the percentage in respect of fiscal year 2021 (148%) explains the difference between the amounts of variable compensation due in respect of fiscal year 2021 and paid in 2021.

(2) The amounts reported as benefits in kind correspond to the value of the use of a company car.

Draft resolution submitted to the Shareholders' Meeting

« Sixth resolution: approval of the fixed and variable components making up the total compensation and benefits paid or granted in respect of fiscal year ended December 31, 2021 to Daniel Harari, Chairman and Chief Executive Officer

The Shareholders' Meeting, voting on the quorum and majority conditions for ordinary shareholders' meetings, and having reviewed the Report of the Board of Directors prepared in compliance with the provisions of article L. 22-10-34 of the French Commercial Code, approves the fixed and variable components making up the total compensation and benefits paid or granted in respect of fiscal year ended December 31, 2021 to Daniel Harari in his capacity as Chairman and Chief Executive Officer of the Company, as described in chapter 2.2.1 of the Report on Corporate Governance. »

2.2.2. Compensation of Directors in respect of the fiscal year ended December 31, 2021

The compensation of the Directors in respect of the fiscal year ended December 31, 2021, is consistent with the compensation policy set by the Board of Directors at its meeting on February 24, 2021 and approved by a 99.99% vote at the Shareholders' Meeting of April 30, 2021.

In accordance with the decision of the Annual Shareholders' Meeting of April 30, 2021, the maximum amount of compensation is set at €288,000 starting in fiscal year 2021 and until a new decision is made.

In respect of the fiscal year ended December 31, 2021, the total gross amount of €241,002 was granted as compensation for the members of the Board of Directors, it being specified that the compensation amounts, as set out in the table below, will be paid to the Directors after the Annual Shareholders' Meeting of April 29, 2022.

The rules for apportionment in effect for fiscal year 2021 are the following. (These rules were established by the Board of Directors on February 11, 2016 and remained unchanged since the fiscal year ended December 31, 2016.):

- from this annual amount allocated by the Shareholders' Meeting (€288,000 for fiscal year 2021);
  - the maximum amount of €40,000 is granted to each Director for their attendance at meetings of the Board of Directors;
  - the maximum amount of €9,000 is granted for attendance by each Director at meetings of the Audit Committee, Compensation Committee and Strategic Committee, as the Chairman and Chief Executive Officer receives no compensation for attending the Strategic Committee and does not attend meetings of the Audit Committee and Compensation Committee;
  - the maximum amount of €1,500 is granted for the Chairpersons of the Audit Committee and the Compensation Committee, as the Chairman and Chief Executive Officer receives no compensation for chairing the Strategic Committee.
- the variable portion of each amount is 62.5%; the variable amount actually apportioned to each Director is based on an attendance percentage equal to the number of meetings effectively attended by the Director divided by the number of meetings held;
- for Directors whose terms ended or began during the year, amounts are calculated *prorata temporis*;
- in view of the fact that the Nominations Committee was created in July 2021, the Board of Directors decided not to allocate any compensation for participation in this Committee or for chairing it in 2021.

Directors other than the Chairman and Chief Executive Officer receive no other form of compensation from the Company or from any company in the Lectra group; the detail of the compensation earned by or paid to the Chairman and Chief Executive Officer is set out in section 2.2.1. of this Report.

It is specified that the Company may pay directly, or reimburse upon presentation of supporting documents, expenses incurred by Directors in connection with attendance at meetings of the Board of Directors and specialized committees.

Table on the compensation of the Directors

Directors	Compensation in respect of 2021[1] (in euros)			Compensation in respect of 2020[1] (in euros)		
	Fixed portion	Variable portion	**Total amount**	Fixed portion	Variable portion	**Total amount**
Daniel Harari Chief Executive Officer[2]	15,000	25,000	**40,000**	15,000	25,000	40,000
Céline Abecassis-Moedas Independent Director[3]	12,249	15,268	**27,517**	N/A	N/A	N/A
Anne Binder Independent Director	18,375	30,625	**49,000**	18,375	30,625	49,000
Jean Marie Canan Director[4]	10,718	12,768	**23,486**	N/A	N/A	N/A
Bernard Jourdan Lead Director	21,375	30,625	**52,000**	21,375	30,625	52,000
Ross McInnes Independent Director[5]	N/A	N/A	**N/A**	6,124	13,672	19,797
Nathalie Rossiensky Independent Director	18,375	30,625	**49,000**	18,375	30,625	49,000
Total	**96,091**	**144,911**	**241,002**	79,249	130,547	209,797

(1) Gross amounts

(2) This is the compensation allocated to Daniel Harari in his capacity as Director and Chairman of the Board of Directors. Compensation paid or earned in his capacity as Chief Executive Officer is set out in chapter 2.2.1 of this Report.

(3) For the period from April 30 to December 31, 2021. Céline Abecassis-Moedas having been named Director by the Shareholders' Meeting of April 30, 2021.

(4) For the period from June 1 to December 31, 2021. Jean Marie Canan having been named Director by the Combined Shareholders' Meeting of June 1, 2021.

(5) For the period from January 1 to April 30, 2020. Ross McInnes's term of office expired at the close of the Combined Shareholders' Meeting of April 30, 2020.

2.3 Yearly evolution of compensation of company officers over the past five years

Pursuant to article L. 22-10-9 of the French Commercial Code as amended by Law 2019-486 of May 22, 2019 (the "PACTE Law"), set out in the tables below are:

- the equity ratios between the level of compensation of the Chairman and Chief Executive Officer and the average and median compensations of the Company's employees, as well as the evolution of these equity ratios over the past five fiscal years; and
- the yearly evolution of compensation of the Chairman and Chief Executive Officer, Lectra performance, average and median compensation of employees over the past five years.

Daniel Harari has served as Chairman and Chief Executive Officer since July 27, 2017, when the Board of Directors decided to recombine the roles of Chairman and Chief Executive Officer. From May 3, 2002 to July 27, 2017, Daniel Harari served as the Company's Chief Executive Officer and André Harari served as Chairman of the Board of Directors. Accordingly, for fiscal year 2017, the total compensation of Daniel Harari for the year was seven months' fixed and variable compensation in his capacity as Chief Executive Officer and five months' fixed and variable compensation in his capacity as Chairman and Chief Executive Officer.

The Company's method for calculating the pay equity ratios was established with reference to the AFEP guidelines for compensation ratios published January 28, 2020 and revised in February 2021, it being specified that:

- the scope used for calculating the equity ratios and compensation is that of Lectra SA, the parent company of the Lectra group, which includes 95.3% of the workforce in France;
- the compensation used for calculating the ratios corresponds to total compensation paid to company officers (dirigeants mandataires sociaux) and the Company's employees on a full-time equivalent basis in each fiscal year;
- the employees taken into account to calculate the denominator are employees on permanent contracts, fixed-term contracts and work-study contracts, but not expatriates and interns;
- the compensation of company officers and employees of the Company comprises the aggregate annual gross amounts, subject to social security contributions, which include:
  - variable compensation paid during the relevant fiscal year in respect of the previous fiscal year;
  - various bonuses paid during the relevant year;
  - benefits in kind;
  - severance payments;
  - PERCO saving scheme;
  - miscellaneous compensation (e.g., in respect of a directorship);
  - amounts paid, invested or contributed to under the profit-sharing plan and the collective employee incentive plan; and

  the value of stock options in accordance with IFRS standards; this excludes indemnities or benefits in respect of retirement, dismissal, expiry of fixed-term employment contract, negotiated termination, and 2021 inflation compensation.

2.3.1. Equity ratio between the level of compensation of the Chairman and Chief Executive Officer and the average and median compensations of the Company's employees

	Fiscal year 2021		**Fiscal year 2020**		**Fiscal year 2019**		**Fiscal year 2018**		**Fiscal year 2017**	
	Average ratio	*Median ratio*	*Average ratio*	*Median ratio*	*Average ratio*	*Median ratio*	*Average ratio*	*Median ratio*	*Average ratio*	*Median ratio*
Chairman and Chief Executive Officer	9	11	13	15	14	17	17	22	N/A	N/A
Chief Executive Officer	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	12	15
Chairman of the Board of Directors	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	9	12

2.3.2. Yearly evolution of compensation of the Chairman and Chief Executive Officer, Company performance, average and median compensation of employees, and pay equity ratios

		2021	2020	2019	2018[1]	2017
Evolution of the company officers' compensation *(in % and in euros)*						
Chairman and Chief Executive Officer		-28.4% (€490,964)	-5.6% (€685,644)	-21.8% (€726,582)	€929,720	N/A
Chief Executive Officer		N/A	N/A	N/A	N/A	19.8% (€616,642)
Chairman of the Board of Directors		N/A	N/A	N/A	N/A	-3% (€499,779)
Information on the listed parent Company scope						
Evolution of the average compensation of employees, full-time equivalent *(in % and in euros)*		4.7% (€55,610)	0.9% (€53,122)	-1.9% (€52,631)	1.4% (€53,665)	4.3% (€52,909)
Average ratio and its evolution	*Chairman and Chief Executive Officer[1]*	9 (-31.6%)	13 (-6.5%)	14 (-20.3%)	17	N/A
	Chief Executive Officer	N/A	N/A	N/A	N/A	12 (14.8%)
	Président du Conseil d'administration	N/A	N/A	N/A	N/A	9 (-7%)
Evolution of the median compensation of employees, full-time equivalent *(in % and in euros)*		1.1% €45,146	4.7% (€44,634)	-0.3% (€42,642)	5.4% (€42,770)	0.2% (€40,580)
Median ratio and its evolution	*Chairman and Chief Executive Officer*	11 (-29.2%)	15 (-9.8%)	17 (-21.6%)	22	N/A
	Chief Executive Officer	N/A	N/A	N/A	N/A	15 (19,6%)
	Chairman of the Board of Directors	N/A	N/A	N/A	N/A	12 (-3.1%)
Additional information on the broader scope						
N/A						
Group performance						
Performance coefficient[2] for fiscal year N-1 used to determine the variable portion of company officers' compensation		13%	62%	72%	111%	86%
Evolution compared to the previous fiscal year		-79%	-15,0%	-35%	29%	38%

(1) Daniel Harari has served as Chairman and Chief Executive Officer since July 27, 2017, when the Board of Directors decided to recombine the roles of Chairman and Chief Executive Officer.

(2) The performance coefficient measures the percentage achievement of performance objectives that determines the annual variable compensation of company officers (Daniel Harari in his capacity as Chief Executive Officer, and since July 27, 2017, as Chairman and Chief Executive Officer). The objectives are established and reviewed by the Board of Directors in light of the strategic roadmap, and thus reflect the strategy of profitable sales activity and earnings growth. The same criteria also apply to the members of the Executive Committee (excluding region leaders), and to certain managers in the Group, it being specified that there are differences in the weighting given to each criterion and the relative share of their target-based variable compensation.
It is specified that the coefficient indicated for year N corresponds to the percentage achievement of objectives for year N-1 in order to align it with the impact of payment of the variable component in year N+1.

Draft resolution submitted to the Shareholders' Meeting

« Fifth resolution: approval of the information relating to the compensation of the company officers in respect of fiscal year ending December 31, 2021

The Shareholders' Meeting, voting on the quorum and majority conditions for ordinary shareholders' meetings, and having reviewed the Report on Corporate Governance prepared in compliance with the provisions of article L. 22-10-34 of the French Commercial Code, approves the information mentioned in article L. 22-10-9 of the French Commercial Code relating to the compensation of the company officers in respect of fiscal year 2021, as described in chapters 2.2 and 2.3 of the Report on Corporate Governance. »

3. Market abuse prevention measures

In accordance with Regulation (EU) N° 596/2014 of the European Parliament and of the Council of April 16, 2014 on market abuse (the **Market Abuse Regulation, MAR**), the Board of Directors has adopted an insider trader prevention policy intended:

- to formalize the measures taken by the Company to prevent insider trading and the disclosure of privileged information; and
- to restate the legal and regulatory provisions governing transactions in Lectra securities by officers and senior executives, the obligations of confidentiality and abstention from trading imposed on insiders, and the administrative and penal sanctions incurred for failure to comply with them.

The information on this policy is made available to the company officers and Lectra employees, as well as to other insiders. The Board of Directors ensures that it is applied properly within the Group and updates it as required; the most recent update was July 27, 2020.

In compliance with article 18 of the Market Abuse Regulation, as supplemented by the AMF guide on ongoing information (Position-recommendation DOC-2016-08) dated October 26, 2016, the Company:

- draws up, in an electronic format, a list of all persons, internally and externally, who have access to inside information;
- promptly updates the insider list (including the date and time of the update) in the following circumstances:
  - where there is a change in the reason for including a person already on the insider list;
  - where there is a new person who has access to inside information and needs, therefore, to be added to the insider list; and
  - where a person ceases to have access to inside information.
- provides this insider list by electronic means to the AMF as soon as possible at the latter's request;
- retains the insider list and previous versions of it for a period of at least five years after it is drawn up or updated; and
- takes all reasonable steps to ensure that any person included in the insider list acknowledges in writing the legal and regulatory duties entailed and is aware of the sanctions applicable to insider dealing and unlawful disclosure of inside information.

The list of permanent insiders is reviewed at least once a year by the Board of Directors.

Caroline Jozwiak, the Company's General Counsel, has been named Compliance Officer for all matters pertaining to the General Regulation of the AMF concerning the drawing up of lists of insiders.

Her duties include adapting the guidelines published by *Association Nationale des Sociétés par Actions* (National Association of Joint-Stock Companies, ANSA) and drawing up the guide to procedures specific to Lectra, drawing up and maintaining up-to-date lists of permanent and occasional insiders, and notifying them individually in writing, accompanied by a memorandum spelling out the procedures specific to Lectra.

In keeping with the Insider trading prevention policy, it is prohibited for all persons identified by the Company as permanent insiders or persons with regular access to privileged information, which includes the members of the corporate management and the senior management teams of the Group, to buy or sell the Company's shares (including through the exercise of stock options) during the period (called "blackout periods") starting fifteen calendar days before the end of each calendar quarter and expiring two stock market trading days after the meeting of the Board of Directors closing the quarterly and the annual financial statements of the Group. These restrictions are consequently stricter than the obligation to abstain during the closed periods provided for in regulations. The calendar of blackout periods in the coming fiscal year is notified to Lectra employees at the end of each year.

The exercise of stock options during blackout periods is prohibited, even if the beneficiary were to hold any resulting shares until the expiration of the period.

However, as permitted under article 19.12 of the Market Abuse Regulation, the Company may authorize a person discharging managerial responsibility to undertake such transactions:

- on a case-by-case basis due to the existence of exceptional circumstances, such as severe financial difficulty, which require the immediate sale of shares; or
- due to the characteristics of the trading involved for transactions made under, or related to, an employee share or saving scheme, qualification or entitlement of shares, or transactions where the beneficial interest in the relevant security does not change.

In accordance with the Market Abuse Regulation, article L. 621-18-2 of the French Monetary and Financial Code and article 223-22 A of the General Regulation of the AMF, transactions in Lectra securities carried out by any of the following three categories of persons must be notified to the AMF by electronic means and to the Company within three business days of the transaction date:

- officers of the Company (Directors and the Chairman and Chief Executive Officer);
- senior executives, in the list established and kept up to date by the Board of Directors;
- persons with close personal ties to the two preceding categories.

4. Related-party agreements and agreements entered into in the ordinary course of business

4.1 Procedure for evaluation and control of related-party agreements and agreements entered into in the ordinary course of business

Pursuant to article L. 22-10-12 of the French Commercial Code and AMF Recommendation N° 2012-05 of July 2, 2012, as amended on October 5, 2018, the Board of Directors, at its meeting on July 27, 2020, adopted an internal charter on related-party agreements and agreements entered into in the ordinary course of business (the "**Charter**"). This Charter, for the use of employees of the Lectra group and the members of the Board of Directors, aims:

- to formalize the methodology applied internally to identify and characterize the agreements entered into between Lectra and related parties;
- to restate the regulatory framework applicable to related-party agreements;
- to describe the procedure for regular evaluation of agreements entered into in the ordinary course of business.

The Charter takes into account, inter alia, the February 2014 study by Compagnie Nationale des Commissaires aux Comptes on related-party agreements and agreements entered into in the ordinary course of business.

All agreements that could potentially be considered related-party agreements for the Company are submitted, prior to conclusion, to the Finance Division and the Legal Affairs Department, which examine its characterization with the third parties concerned. Any conclusion, modification, renewal (including by tacit renewal) or cancellation of a related-party agreement is submitted to examination by the Audit Committee, and then to prior approval by the Board of Directors. Furthermore, each year, at its meeting called for the closing of the annual financial statements, the Board of Directors examines all related-party agreements authorized in previous years. In this respect, it can reclassify any agreement when it is no longer considered a related-party agreement.

As it regards the monitoring of current agreements that are exempt from the ex-ante control procedure, a report on agreements considered to be entered into in the ordinary course of business and concluded under normal conditions that were in force during the fiscal year ended, which is prepared by the Finance Division in collaboration with the Legal Affairs Department, is sent to the Audit Committee for consideration at the meeting called to examine the financial statements for the fiscal year.

The Audit Committee is responsible for verifying that those agreements meet the conditions required for classification as agreements entered into in the ordinary course of business.

The Board of Directors is then called upon to confirm the classification. The Board of Directors may also decide to modify the classification criteria, and, if required, to reexamine any agreements which, at the time of the review, do not or no longer meet the new criteria.

Persons with a direct or indirect interest in any agreement do not participate in evaluating that agreement (whether in the Audit Committee or the Board of Directors).

The internal Charter on related-party agreements and agreements entered into in the ordinary course of business can be consulted on the Lectra website (https://www.lectra.com/en/investors).

4.2 Related-party agreements and commitments

No related-party agreements within the meaning of article L. 225-38 of the French Commercial Code were entered into during fiscal year ended December 31, 2021.

It is also specified, in accordance with article L. 225-37-4 of the French Commercial Code, that to the Company's knowledge there are no agreements, other than those relating to ordinary transactions entered into under normal terms and conditions, whether directly or through an intermediary, between a company officer or a shareholder with over 10% of the Company's voting rights, on the one hand, and another company controlled by the Company within the meaning of article L. 233-3 of the French Commercial Code, on the other hand.

4.3 Agreements entered into in the ordinary course of business

Pursuant to article L. 22-10-12 of the French Commercial Code, and the internal Charter on related-party agreements and agreements entered into in the ordinary course of business, the Board of Directors at its meeting on February 9, 2022 conducted the annual review of the ordinary agreements entered into under normal terms and conditions that were implemented or continued in effect in fiscal year 2021. After having assessed the terms and conditions of each of these agreements, the Board of Directors noted that (i) to date, there are no ordinary agreements other than those entered into between the Company and its fully consolidated subsidiaries, and (ii) all existing agreements between the Company and its subsidiaries are made in the ordinary course of business in relation to the corporate purpose of the companies concerned and are entered into under normal terms and conditions.

5. Financial authorizations and delegations

All financial authorizations and delegations in effect during fiscal year 2021, and utilizations thereof at December 31, 2021, are reported in the summary table below.

Summary table of financial authorizations and delegations in effect and their utilization

Nature of authority/ delegation	**Date of Shareholders' Meeting** *(resolution number)*	**Term** *(expiry date)*	**Maximum amount**	**Utilization**
Authority to grant stock options *	Shareholders' Meeting of April 27, 2018 *(resolution N° 14)*	38 months *(June 26, 2021)*	Maximum number of options: 2,000,000 Authorized amount of capital increase: €2,000,000	Number utilized at 26/06/2021**: **797,568** Options remaining at 31/12/2021: **0**
Authority to cancel treasury shares	Shareholders' Meeting of April 30, 2020 *(resolution N° 13)*	26 months *(June 29, 2022)*	Up to 10% of the share capital, per 24-month period	**N/A**

* *The Shareholders' Meeting of April 27, 2018, authorized the issuance of up to 2,000,000 shares with a par value of €1. The maximum amount and the amounts utilized are indicated in par value of shares.*

** *The authorization granted by the Shareholders' Meeting of April 27, 2018 expired June 26, 2021. For details on granting of stock options, see section 10.5 of the Management Discussion.*

6. Attendance at shareholders' meetings

6.1 Conditions for participation at shareholders' meetings

The right of attendance at shareholders' meetings, to vote by correspondence or to be represented, is subject to the following conditions:

- for registered shareholders: shares must be registered in their name or in the name of an authorized intermediary in the company register, which is maintained by Société Générale in its capacity as bookkeeper and company agent, at zero hour, Paris time, on the second working day preceding the day set for the said meeting;
- for holders of bearer shares: receipt by the shareholders' meetings department of Société Générale of a certificate of attendance noting the registration of the shares in the register of bearer shares at zero hour, Paris time, on the second working day preceding the day set for the said meeting, delivered and transmitted to Société Générale by the financial intermediary (bank, financial institution or brokerage) that holds their account.

Shareholders are free to dispose of their shares in whole or in part until the time of the meeting. However, if the settlement of the disposal takes place before zero hour, Paris time, on the second working day preceding the day set for the said meeting, the financial intermediary that holds their account shall notify the disposal to Société Générale, and shall transmit the necessary information. The Company shall invalidate or modify the vote by correspondence, proxy vote, admission card or the certificate of attendance in consequence of the foregoing. However, if the settlement of the disposal takes place after zero hour, Paris time, on the second working day preceding the day set for the said meeting, the disposal will not be notified by the financial institution holding the account, nor taken into consideration by the Company for the purposes of attendance at the Shareholders' Meeting.

Any shareholder unable to attend the meeting in person may vote by correspondence or by proxy (including by electronic means, when the Board of Directors provides for electronic voting) in accordance with the terms and conditions set forth in the laws, regulations and by-laws, as specified in the notice of meeting.

Correspondence and proxy voting forms together with all documents and information relating to the meetings are available on the Company's website (https://www.lectra.com/en/investors) at least twenty-one days before the time of these meetings. These documents are also obtainable on request, free of charge, from the Company. All correspondence or proxy voting forms must be received, in paper form or by electronic means, no later than the day preceding the shareholders' meeting, before 3pm, Paris time.

Written questions for submission to the meeting may be addressed to the Company at its headquarters: 16-18, rue Chalgrin, 75016 Paris, France, or by electronic mail at the address indicated in the notice of meeting and the formal convocation on the fourth working day preceding the day set for the meeting at the latest, and must be accompanied by proof of registration as a shareholder. Shareholders holding a fraction of the capital defined in articles L. 225-105 paragraph 2 and R. 225-71 paragraph 2 of the French Commercial Code must transmit any draft resolutions they wish to place on the agenda of the meeting at least twenty-five days prior to the date of the meeting. As required in article R. 22-10-24 (last paragraph) of the French Commercial Code, notification of designation and revocation of a proxy may also be communicated electronically, by sending an electronically signed e-mail, employing a secure procedure for identification of the shareholder guaranteeing that the notification was effectively sent by the said shareholder, to the address indicated in the notice of meeting and the formal convocation.

Practical details will be communicated, for each shareholders' meeting, in the notice of meeting sent to the shareholders.

6.2 Voting rights: one share, one vote

The Board of Directors called an extraordinary shareholders' meeting on September 26, 2014 to approve the amendments and simplifications to the Company by-laws, regarding in particular maintenance of the principle of "one share, one vote" following the entry into force of the French March 29, 2014 Act "aiming to recapture the real economy" (Law 2014-384, the "Florange Act"). This act reversed the previously existing principle, providing that shares of listed companies registered for at least two years in the name of the same shareholder will henceforward enjoy double voting rights, except where otherwise stipulated in Company by-laws adopted after the promulgation of the law.

As recommended by the Board of Directors, the Extraordinary Shareholders' Meeting of September 26, 2014 approved almost unanimously (99%) the principle of one share, one vote, departing from the new law and amending the Company by-laws accordingly.

As a result, only 224,807 shares (representing 0.6% of the capital stock) held in registered form before May 15, 2001—at which date the Company abolished the previously-existing double voting rights for shares registered after that date, together with shares purchased after that date—carried double voting rights at December 31, 2021.

7. Information concerning potentially material items in the event of a public tender offer

Under article L. 22-10-11 of the French Commercial Code the following items are liable to be material in the event of a public tender offer:

- the structure of the Company's capital stock and direct or indirect shareholdings in the capital of the Company known to it, which are described in chapter 9 "Share capital – Ownership – Share Price Performance" of the Management Discussion;
- any statutory restrictions on the exercise of voting rights and on the transfer of shares, which are described in the Company's by-laws, which is available on the Company's website (https://www.lectra.com/en/investors);
- the agreement clauses between shareholders that are known to the Company and that may entail restrictions on the transfer of shares and on the exercise of voting rights, which are described in the notice published October 20, 2021 by the AMF (221C2808, FR0000065484-PA14) containing the main provisions of the Stable Shareholding Agreement between Lectra and AIPCF VI Funding LP;
- the rules governing the appointment and replacement of members of the Board of Directors and amendments to the Company by-laws, which are presented in the Company by-laws;
- the powers of the Board of Directors and in particular concerning the issuance or buyback of shares, which are described in paragraph 1.4.1 "Roles and powers of the Board of Directors" of the present Report on Corporate Governance, as well as in chapter 10 "Share repurchase program" of the Management Discussion;
- the clauses of the loan agreement that would entitle the Company's lenders to demand early repayment in the event of a change in control of the Company are set out in section 4.1.1, "Liquidity risks," of the Management Discussion and in note 22 of the consolidated financial statements;
- the decision of the Supervisory Board of the Company's employee investment fund (FCPE) on the potential contribution of the securities to purchase or exchange offers, in accordance with article L.214-165 of the French Monetary and Financial Code.

To the Company's knowledge there are no other elements that are liable to be of consequence in the event of a public tender offer for the shares of the Company.

The Board of Directors
February 23, 2022

04

Consolidated Financial Statements

04 Consolidated Financial Statements

1. Statement of financial position

consolidated

ASSETS

At December 31 *(in thousands of euros)*		2021[1]	2020
Goodwill	note 7	275,250	46,528
Other intangible assets	note 8	138,084	4,665
Leasing rights-of-use	note 10	28,543	15,429
Property, plant and equipment	note 9	28,060	25,067
Other non-current assets	note 11	24,638	20,992
Deferred tax assets	note 13	9,047	7,950
Total non-current assets		503,622	120,631
Inventories	note 14	59,650	29,519
Trade accounts receivable	note 15	82,948	43,009
Other current assets	note 16	19,153	13,076
Cash and cash equivalents	note 22	130,586	134,626
Total current assets		292,337	220,230
Total assets		**795,959**	**340,861**

EQUITY AND LIABILITIES

(in thousands of euros)		2021[1]	2020
Share capital	note 17	37,743	32,512
Share premium	note 17	139,511	19,387
Treasury shares	note 17	(271)	(343)
Currency translation adjustments	note 18	12,132	(11,293)
Retained earnings and net income		208,947	151,750
Non-controlling interests		2,724	160
Total equity		400,786	192,173
Retirement benefit obligations	note 19	11,348	11,995
Non-current lease liabilities	note 20	25,930	10,434
Minority shares purchase commitments	note 21	9,500	2,165
Borrowings, non-current portion	note 22	118,284	-
Total non-current liabilities		165,062	24,594
Trade and other current payables	note 23	110,852	53,657
Deferred revenues	note 24	77,822	56,690
Current income tax liabilities	note 13	4,586	2,958
Current lease liabilities	note 20	8,500	5,411
Minority shares purchase commitments	note 21	2,464	2,332
Borrowings, current portion	note 22	21,102	-
Provisions for other liabilities and charges	note 25	4,785	3,046
Total current liabilities		230,111	124,094
Total equity and liabilities		**795,959**	**340,861**

(1) The 2021 amounts integrate Gerber Technology, Neteven and Gemini CAD Systems (see note 2.30 hereafter).

The notes are an integral part of the consolidated financial statements.

2. Income statement

consolidated

Twelve months ended December 31 *(in thousands of euros)*		**2021[1]**	2020
Revenues	note 28	387,583	236,182
Cost of goods sold	note 29	(125,008)	(59,696)
Gross profit	note 29	262,575	176,486
Research and development	note 30	(33,981)	(22,689)
Selling, general and administrative expenses	note 31	(184,212)	(128,157)
Income from operations before non-recurring items		44,382	25,640
Non-recurring income	note 34	942	-
Non-recurring expenses	note 34	(7,068)	(786)
Income from operations		38,256	24,854
Financial income	note 35	551	94
Financial expenses	note 35	(2,064)	(541)
Foreign exchange income (loss)	note 36	(774)	(699)
Income before tax		35,969	23,709
Income tax	note 13	(7,725)	(6,131)
Net income		**28,244**	**17,578**
of which, Group share		**28,255**	**17,529**
of which, Non-controlling interests		(11)	49
(in euros)			
Earnings per share, Group share:	note 37		
- basic		0.80	0.54
- diluted		0.78	0.54
Shares used in calculating earnings per share [2]:			
- basic		35,538,978	32,227,995
- diluted		36,027,933	32,490,553
(in thousands of euros)			
Income from operations before non-recurring items		44,382	25,640
+ Net depreciation and amortization of non-current assets		20,743	11,853
EBITDA before non-recurring items		65,125	37,493

STATEMENT OF COMPREHENSIVE INCOME, GROUP SHARE [3]

Twelve months ended December 31 *(in thousands of euros)*		**2021[1]**	2020
Net income		28,255	17,529
Currency translation adjustments	note 18	23,188	(1,562)
Tax effect		237	(249)
Other comprehensive income to be reclassified in net income		23,425	(1,812)
Remeasurement of the net liability arising from defined benefits pension plans	note 19	912	(324)
Tax effect		(248)	92
Other comprehensive income not to be reclassified in net income		664	(232)
Total other comprehensive income		24,089	(2,044)
Comprehensive income, Group share		**52,344**	**15,485**

(1) The 2021 amounts integrate Gerber Technology, Neteven and Gemini CAD Systems (see note 2.30 hereafter).

(2) The 5 million Lectra shares issued on June 1, 2021 for the acquisition of Gerber Technology have been included prorate temporis when determining the number of shares to use in the calculation of the earnings per share.

(3) The Group considered as non-material the information regarding the comprehensive income of the non-controlling interests (of Retviews, Neteven and Gemini CAD Systems – see note 2.29 hereafter) and thus only presents the comprehensive income of the Group share.

The notes are an integral part of the consolidated financial statements.

3. Statement of cash flows

consolidated

Twelve months ended December 31 *(in thousands euros)*		**2021[1]**	2020
I - OPERATING ACTIVITIES			
Net income		28,244	17,578
Net depreciation and amortization (non-current assets)		20,743	11,853
Net depreciation and provisions (current assets)		840	4,014
Non-cash operating expenses	note 40	748	408
Loss (profit) on sale of fixed assets		(32)	22
Changes in deferred income taxes	note 13	(100)	140
Changes in inventories		(12,992)	(1,082)
Changes in trade accounts receivable		35	12,204
Changes in other current assets and liabilities		22,941	(1,331)
Changes in other operating non-current assets	note 11	(5,917)	(7,776)
Net cash provided by (used in) operating activities		54,509	36,030
II - INVESTING ACTIVITIES			
Purchases of intangible assets	note 8	(3,020)	(2,205)
Purchases of property, plant and equipment	note 9	(3,153)	(2,198)
Proceeds from sales of intangible and tangible assets		63	26
Acquisition cost of companies purchased	note 2	(180,980)	-
Purchases of financial assets	note 11	(10,075)	(5,306)
Proceeds from sales of financial assets	note 11	9,820	4,648
Net cash provided by (used in) investing activities		(187,345)	(5,035)
III - FINANCING ACTIVITIES			
Proceeds from issuance of ordinary shares	note 17	2,855	3,998
Proceeds from issuance of ordinary shares to non controlling interests	note 2	1,204	-
Dividend paid	note 4	(7,820)	(12,844)
Change in share of interests in controlled entities	note 2	(1,363)	(878)
Purchases of treasury shares	note 17	(9,486)	(4,620)
Sales of treasury shares	note 17	9,914	5,018
Repayment of lease liabilities	note 20	(8,649)	(5,844)
Proceeds from long term and short term borrowings	note 42	139,214	-
Net cash provided by (used in) financing activities		125,869	(15,170)
Increase (decrease) in cash and cash equivalents		**(6,967)**	**15,825**
Cash and cash equivalents at opening	note 22	134,626	120,558
Increase (decrease) in cash and cash equivalents		(6,967)	15,825
Effect of changes in foreign exchange rates		2,927	(1,757)
Cash and cash equivalents at closing	note 22	130,586	134,626
Net cash provided by (used in) operating activities		54,509	36,030
+ Net cash provided by (used in) investing activities		(187,345)	(5,035)
- Acquisition cost of companies purchased		180,980	-
- Repayment of lease liabilities		(8,649)	(5,844)
Free cash flow before non-recurring items		39,495	25,151
Non-recurring items of the free cash flow		(8,012)	-
Free cash flow	note 43	47,507	25,151
Income tax (paid) / reimbursed, net		(4,323)	(4,673)
Interest (paid) on lease liabilities		(279)	(155)
Interest (paid)	note 42	(605)	-

(1) The 2021 amounts integrate Gerber Technology, Neteven and Gemini CAD Systems (see note 2.30 hereafter).

The notes are an integral part of the consolidated financial statements.

4. Statement of changes in equity

consolidated

(in thousands of euros, except for par value per share expressed in euros)	note	Share capital			Share premium	Treasury shares	Currency translation adjustments	Retained earnings and net income	**Equity, Group share**	Non controlling interests	**Total equity**
		Number of shares	Par value per share	Share capital							
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	17	412,551	1.00	413	3,585				3,998		3,998
Fair value of stock options	17							955	955		955
Sale (purchase) of treasury shares	17					355			355		355
Profit (loss) on treasury shares	17							29	29		29
Minority shares purchase for Retviews[1]	21							1,172	1,172	(48)	1,124
Dividend paid	4							(12,844)	(12,844)		(12,844)
Balance at December 31, 2020		32,511,651	1.00	32,512	19,387	(343)	(11,293)	151,750	192,013	160	192,173
Implementation of IFRS IC decision relative to IAS 19	2							659	659	-	659
Balance at January 1, 2021		32,511,651	1.00	32,512	19,387	(343)	(11,293)	152,409	192,672	160	192,832
Net income								28,255	28,255	(11)	28,244
Other comprehensive income							23,425	664	24,089	0	24,089
Comprehensive income							23,425	28,919	52,344	(11)	52,333
Exercised stock options	17	231,308	1.00	231	2,624				2,855		2,855
Shares issued to purchase Gerber Technology[2]	2	5,000,000	1.00	5,000	117,500			42,750	165,250		165,250
Fair value of stock options	17							1,119	1,119		1,119
Sale (purchase) of treasury shares	17					72			72		72
Profit (loss) on treasury shares	17							270	270		270
Minority shares purchase for Retviews[1]	21							799	799	(129)	670
Integration of Neteven and Gemini and minority shares purchase commitment[3]	21							(9,500)	(9,500)	1,500	(8,000)
Shares issued to non controlling interests	2								-	1,204	1,204
Dividend paid	4							(7,820)	(7,820)		(7,820)
Balance at December 31, 2021		**37,742,959**	**1.00**	**37,743**	**139,511**	**(271)**	**12,132**	**208,947**	**398,062**	**2,724**	**400,786**

(1) These amounts stem from the staggered purchases of additional shares of Retviews in July 2020 and July 2021 (see note 2.30 hereafter).

(2) This amount corresponds to the shares issued on June 1, 2021 for the acquisition of Gerber Technology (see note 2.30 hereafter).

(3) These amounts stem from the takeover of Neteven and Gemini CAD Systems. Note 2.30 hereafter describes the impact of this acquisition on the Group's financial statements.

The notes are an integral part of the consolidated financial statements.

5. Notes to the consolidated financial statements

All amounts in the tables are in thousands of euros, unless otherwise indicated.

The Lectra Group, hereafter the Group, refers to Lectra S.A., hereafter the Company, and its subsidiaries. The Group's consolidated financial statements were drawn up by the Board of Directors on February 23, 2022 and will be proposed to the Shareholders' Meeting for approval on April 29, 2022.

NOTE 1 Business activity

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

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

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

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

Business model

Lectra's business model is based on three pillars:

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

Worldwide presence

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

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

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

Customers

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

Products and services

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

The automated cutting equipment manufactured by the Group in France is assembled from parts produced by a network of subcontractors and tested in the company's industrial facilities in Bordeaux-Cestas (France). Cutting machines on

the market since 2007 incorporate hundreds of sensors which connect them to Lectra's Call Centers, enabling preventive and predictive maintenance.

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

People

Lectra's strength lies in the skills and experience of more than 2,400 employees worldwide. Thanks to Lectra's global presence the Group is geographically close to its customers, wherever they are in the world.

NOTE 2 Accounting rules and methods

Note 2.1 Current accounting standards and interpretations

The consolidated financial statements are compliant with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board as adopted within the European Union, and available for consultation on the European Commission website:

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

The consolidated financial statements at December 31, 2021 have been prepared in accordance with the same rules and methods as those applied in the preparation of the 2020 financial statements, with the exception of the IAS 19 standard, the implementation of which was clarified and approved by the IFRS IC in May 2021, as presented below. They have been prepared under the responsibility of the Board of Directors that reviewed and approved them at its meeting of February 23, 2022 and audited by the Statutory Auditors.

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

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

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

The Group implemented the IFRS IC decision related to the implementation of IAS 19, titled *Attributing Benefits to Periods of Service*. This decision entailed a change in the calculation of post-employment benefits within the Group, although limited to lump-sum termination payments applicable in France, since the Group's analysis concluded that there was no impact in the other countries.

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

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

Note 2.2 Basis for preparation

The Group's consolidated financial statements are prepared on going-concern and a historical cost basis with the exception of the assets and liabilities listed below:

- cash equivalents, recorded at fair value through profit or loss;
- loans and receivables, together with borrowings and financial debts, trade payables and other current financial liabilities, recognized at their amortized cost;
- derivative financial instruments, recorded at fair value through profit or loss, or other comprehensive income. The Group uses such instruments to hedge its foreign exchange risks (see note 3 'Risk hedging policy').

Current assets comprise assets linked with the normal operating cycle of the Group, assets held with a view to disposal within the next twelve months after the close of the financial year, together with cash and cash equivalents. All other assets are non-current. Current liabilities comprise debts maturing in the course of the normal operating cycle of the Group or within the next twelve months after the close of the financial year.

Note 2.3 Goodwill

Goodwill solely relates to controlled entities. Other interests held are either accounted for under the equity method for entities held under significant influence, or classified as non-current financial assets.

Goodwill is calculated at the acquisition date, as the difference between (i) the total of the fair value of the consideration transferred and the amount of non-controlling third-party interest in the acquiree, and (ii) the net of the amounts of the identifiable assets acquired and the liabilities assumed.

Goodwill recognized in a foreign currency is translated at the year-end exchange rate.

Each goodwill is allocated to one of the four regions of the Group, which are made up by one or several Cash Generating Units (CGU).

Taking into account expected future revenue streams, goodwill is tested for possible impairment loss at each closing date, or during the year when there is indication that it may be impaired.

Note 2.4 Other intangible assets

Intangible assets are carried at their purchase price less cumulative amortization and impairment, if any. Amortization is charged on a straight-line basis depending on the estimated useful life of the intangible asset.

Internal software and developments

This item contains only software utilized for internal purposes.

Purchased management information software packages are amortized on a straight-line basis over three years.

In addition to expenses incurred in the acquisition of software licenses, the Group also activates direct software development and configuration costs, comprising personnel costs for personnel involved in development of the software and external expenses directly relating to these items.

Technology, patents and trademarks

The Group is not dependent on any patents or licenses that it does not own.

Patents, trademarks and associated costs are amortized on a straight-line basis over three to fifteen years. The amortization period reflects the rate of consumption by the Company of the economic benefits generated by the asset.

Technology acquired through business combinations and valued at the time of acquisition are amortized on a straight-line basis over six to ten years.

In terms of intellectual property, no patents or other industrial property rights belonging to the Group are currently under license to third parties.

The rights held by the Group, notably with regard to software specific to its business as a software developer and publisher, are used under license by its customers within the framework of sales activity.

The Group does not activate any internally-generated expense relating to patents and trademarks.

Customer relationships

Customer relationships acquired through business combinations are valued at the time of acquisition and amortized on a straight-line basis over fifteen years.

Other

Other intangible assets are amortized on a straight-line basis over two to five years.

Note 2.5 Property, plant and equipment

Property, plant and equipment is carried at cost less accumulated depreciation and impairment, if any.

When a tangible asset comprises significant components with different useful lives, the latter are analyzed separately. Consequently, costs incurred in replacing or renewing a component of a tangible asset are booked as a distinct asset. The carrying value of the component replaced is written-off.

Moreover, the Group considers that there is no residual value on its assets. At each closing date, the useful life of assets is reviewed and adjusted as required.

Subsequent expenditures relating to a tangible asset are capitalized if they increase the future economic benefits of the specific asset to which they are attached. All other costs are expensed directly at the time they are incurred.

Financial expense is not included in the cost of acquisition of tangible assets. Investment grants received are deducted from the value of tangible assets. Depreciation is computed on this net amount.

Losses or gains on disposals of assets are recognized in the income statement under caption 'Selling, general and administrative expenses'.

Depreciation is computed on the straight-line method over their estimated useful lives as follows:

- buildings and building main structures: 20-35 years;
- secondary structures and building installations: 15 years;
- fixtures and installations: 5-10 years;
- land arrangements: 5-10 years;
- technical installations, equipment and tools: 4-10 years;
- office equipment and computers: 3-5 years;
- office furniture: 5-10 years.

Note 2.6 Leases

In accordance with IFRS 16, Leases, all leases eligible under the criteria of the standard are reported by recognizing a right-of-use asset and a liability corresponding to the present value of the future lease payments.

Measurement of right-of-use assets

On the commencement date of the lease, the right-of-use asset is assessed at cost and includes the initial amount of the lease liability plus any lease payments prepaid to the lessor, net of any incentives received from the lessor.

The right-of-use asset is subject to straight-line depreciation over the lease term determined to measure the lease liability and corresponds to the period of the obligation, taking account of periods covered by renewal options that are reasonably certain to be exercised, and by termination options that are reasonably certain not to be exercised.

Measurement of lease liabilities

On the commencement date of the lease, the lease liability is recorded as the present value of future lease payments over the term of the lease. The Group has chosen a term of 9 years for its property leases in France, having entered into firm 6-year leases for its Paris premises. Other property leases entered into by subsidiaries do not contain renewal options exercisable at the sole discretion of the lessee.

The discount rates used by the Group correspond to the rates at which the Group companies would be able to subscribe a financial borrowing (incremental borrowing rate). They are determined based on the interest rate of the bank loan the Group took out on June 2021, and then declined with a credit spread by currency and maturity.

The lease liability is measured including the amounts of the following payments:

- fixed lease payments;
- variable lease payments that depend on a rate or an index, using the rate or index at the commencement date of the lease;
- payments to be made by the lessee in respect of a residual value guarantee;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option;
- penalties to be paid in the event an option was exercised for termination or non-renewal of the lease, if the lease term reflects the assumption that the lessee would exercise that option.

The lease liability evolves over time in the following way:

- it increases by the amount of interest expense computed by applying the discount rate to the liability, at the start of the period. The discount rates applied are based on the incremental borrowing rates per company and per currency, notably taking account of each country's specific economic environment;
- and it is reduced by the amount of payments made.

The interest expense for the period, as well as variable payments not taken into account during the initial assessment of the liability that were incurred during the period in consideration, are booked as expenses.

Furthermore, the liability may be reassessed in the following circumstances:

- modification of the lease term;
- modification relating to the reasonable degree of certainty (or otherwise) that the lessee will exercise an option to purchase the underlying asset;
- reassessment relating to residual value guarantees;
- changes in the rates or indexes used to determine the lease payments when the payment adjustment occurs.

On the balance sheet, the Group distinguishes between long-term lease liabilities and short-time lease liabilities based on a maturity schedule (see note 20).

Types of leases

The Group rents its offices in most of the countries where it operates, with the notable exception of the Bordeaux-Cestas site, which it owns. Furthermore, the leases within the scope of IFRS 16 also include leases for vehicles and for IT equipment hardware.

Exemptions

As authorized by IFRS 16, the Group does not recognize on the balance sheet: short-term leases (lease term less than or equal to twelve months) and leases of low-value items (threshold at $5,000).

Note 2.7 Fixed assets impairment–impairment tests

When events or changes in the market environment, or internal factors, indicate a potential impairment of value of goodwill, other intangible assets, property, plant and equipment, or right-of-use assets net of lease liabilities, these are subject to impairment testing. Impairment tests on goodwill are carried out systematically at least once a year.

In order to be tested, assets are regrouped within Cash Generating Units (CGU), defined as the smallest group of assets generating cash inflows deriving from their continuous use, largely independent from cash inflows generated by other assets.

Goodwill resulting from business combinations is allocated to the CGUs or groups of CGUs likely to benefit from the combination synergies.

Goodwill

Goodwill is tested for impairment by comparing its carrying value with the recoverable amount of the group of CGUs it has been allocated to, which is defined as the higher of the asset's fair value less costs to sell and value in use determined as

the present value of future cash flows attached to them, excluding interest and tax. The results utilized are derived from the Group's three-year plan. Beyond the time frame of the three-year plan, cash flows are projected to infinity, the assumed growth rate being dependent on the growth potential of the markets and/or products concerned by the impairment test. The discount rate is computed under the Weighted Average Cost of Capital (WACC) method, the cost of capital being determined by applying the Capital Asset Pricing Model (CAPM). If the impairment test reveals an impairment of value relative to the carrying value, an irreversible impairment loss is recognized to reduce the carrying value of the goodwill to its recoverable amount. This charge, if any, is recognized under 'Goodwill impairment' in the income statement.

Other fixed assets

Other intangible assets and property, plant and equipment are tested by comparing the carrying value of each relevant group of assets (which may be an isolated asset or a CGU) with its recoverable amount. If the latter is lower than the carrying value, an impairment charge equal to the difference between these two amounts is recognized. The base and the schedule of amortization/depreciation of the assets concerned are reduced if a loss is recognized, the resulting charge being recorded as an amortization/depreciation charge under 'Cost of goods sold', or 'Selling, general and administrative expenses' in the income statement depending on the nature and use of the assets concerned.

Note 2.8 Other non-current assets

This item mainly comprises the long-term portion of the research tax credit receivable, investments in subsidiaries and receivables relating to financial investments in non-consolidated companies.

Investments in subsidiaries are recorded at fair value through profit or loss, as required by IFRS 9.

Note 2.9 Deferred income tax

Deferred income tax is accounted for using the liability method on temporary differences arising between the book value and tax value of assets and liabilities shown in the statement of financial position. The same is true for tax loss carry-forwards. Deferred taxes are calculated at the future tax rates enacted or substantially enacted at the fiscal year closing date. For a given fiscal entity, assets and liabilities are netted where taxes are levied by the same tax authority, and where permitted by the local tax authorities. Deferred tax assets are recognized where their future utilization is deemed probable in light of expected future taxable profits.

Note 2.10 Inventories

Inventories of raw materials are valued at the lower of purchase cost (including related costs) and their net realizable value. Finished goods and works-in-progress are valued at the lower of standard industrial cost (adjusted at year end on an actual cost basis) and their net realizable value.

The purchase cost of raw materials and the industrial cost of works-in-progress and finished goods is calculated with the weighted-average cost method.

Net realizable value is the estimated selling price in the normal course of business, less the estimated cost of completion or upgrading of the product and unavoidable selling costs.

Inventory cost does not include interest expense.

A write-down is recorded if the net realizable value is lower than the book value.

Write-downs on inventories of consumables and parts are calculated by comparing book value and probable net realizable value considering a specific analysis of the rotation and obsolescence of inventory items, taking into account the utilization of items for maintenance and after-sales services activities, and changes in the range of products marketed.

Note 2.11 Trade accounts receivable

Accounts receivable are originally accounted for in the statement of financial position at their fair value, and thereafter at their amortized cost, which generally corresponds to their nominal value. Impairment is recorded based on expected credit losses over the lifetime of receivables according to IFRS 9 and also on the basis of the risk of non-collectibility of the receivable, measured on a case-by-case basis in light of how long they are overdue, the results of reminders sent out, the local payment practices, and the risks specific to each country.

Sales in those countries presenting a high degree of political or economic risk are generally secured by letters of credit or bank guarantees.

Owing to the very short collection periods, trade accounts receivable are not discounted.

Note 2.12 Cash and cash equivalents

Cash (as shown in the cash flow statement) is defined as the sum of cash and cash equivalents, less bank overdrafts if any. Cash equivalents comprise negotiable certificates of deposit issued by the Company's banks. Interest-bearing sight accounts and time deposits opened in the Company's banks are treated as cash. All these holdings are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, as specified by IAS 7.

Net cash (as shown in note 22.1) is defined as the amount of 'Cash and cash equivalents' less financial borrowings (as shown in note 22.2) when this difference is positive. When this difference is negative, the result corresponds to a net financial debt.

Cash equivalents are recognized at their fair value; changes in fair value are recognized through profit or loss.

Note 2.13 Capital management policy

In managing its capital, the Group seeks to achieve the best possible return on capital employed.

The liquidity of Lectra's shares on the stock market has been ensured by means of a liquidity agreement with Exane BNP Paribas (see note 17.2).

The payment of dividends is an important instrument in the Group's capital management policy, the aim being to compensate shareholders adequately as soon as this is justified by the Group's financial situation while preserving the necessary cash to fund the Group's future development.

Note 2.14 Stock options

The Company has granted stock options to Group employees and managers. The Chairman and Chief Executive Officer, holding more than 10% of the Company's share capital, is not eligible to any stock options program. All plans are issued at an exercise price equal or greater than the first average stock market price for the 20 trading days prior to granting (see note 17.5).

The application of IFRS 2 has resulted in the recognition of an expense corresponding to the fair value of the advantage granted to beneficiaries. This expense is recognized in personnel costs with a counterpart in equity. It is measured using the Black & Scholes model and is deferred *prorata temporis* over the stock options' vesting period.

Note 2.15 Borrowings and financial debt

Borrowings and financial debts are recognized initially at fair value.

At the closing date, borrowings and financial debts are stated at amortized cost using the effective interest rate method, defined as the rate whereby cash received equals the total cash flows relating to the servicing of the borrowing. Interest expenses on the bank loan are recognized as financial expenses in the income statement.

Non-current borrowings and financial debts comprise the portion of the interest-bearing bank loan the Group took out on June 1, 2021 that is due over a year later. Current borrowings and financial debts comprise the portion due within one year, including accrued interest.

Note 2.16 Retirement benefits obligations

The Group is subject to a variety of deferred employee benefits plans, in France or depending on the subsidiary concerned. The only deferred employee liabilities are retirement benefits obligations.

Defined contributions plans

These refer to post-employment benefits plans under which, for certain categories of employee, the Group pays defined contributions to an outside insurance company or pension fund. Contributions are paid in exchange for services rendered by employees during the period. They are expensed as incurred, as are wages and salaries. Defined contributions plans do not create future liabilities for the Group and hence do not require recognition of provisions.

Most of the defined contributions plans to which the Company and its subsidiaries contribute are additional to the employees' legal retirement plans. In the case of the latter, the Company and its subsidiaries contribute directly to a social security fund.

Defined benefits plans

These refer to post-employment benefits payable plans that guarantee contractual additional income for certain categories of employee (in some cases these plans are governed by specific industry-wide agreements). For the Group, these plans only cover lump-sum termination payments solely as required by legislation or as defined by the relevant industrywide agreement.

The guaranteed additional income represents a future contribution for which a liability is estimated.

This liability is calculated by estimating the benefits to which employees will be entitled having regard to projected end-of-career salaries.

Benefits are reviewed in order to determine the net present value of the liability in respect of defined benefits in accordance with the principles set forth in IAS 19, which were clarified by the IFRS IC in May 2021.

Actuarial assumptions notably include a rate of salary increase, a discount rate (this corresponds to the average annual yield on investment-grade bonds with maturities approximately equal to those of the Group's obligations), an average rate of social charges and a turnover rate, in accordance with local regulations where appropriate, based on observed historical data.

Actuarial gains and losses are recognised in other comprehensive income, in accordance with the principles set forth in IAS 19.

The relevant portion of any change in past-service cost is recognised immediately as a loss (in the case of an increase) or as a gain (in the case of a reduction) in the income statement when a plan is amended, in accordance with the principles set forth in IAS 19.

Note 2.17 Commitments to purchase minority shares

Commitments given to minority shareholders of subsidiaries to purchase their shares are initially recorded as liabilities in the amount of the discounted value of the exercise price, against shareholders' equity (Group share).

When the Group purchases minority shares between 2022 and 2026, in accordance with the purchase agreements, 'Non-controlling interests' will be reclassified under shareholders' equity, Group share, without affecting the income statement.

Note 2.18 Provisions for other liabilities and charges

All known risks at the date of Board of Directors' meeting are reviewed in detail and a provision is recognized if an obligation exists, if the costs entailed to settle this obligation are probable or certain, and if they can be measured reliably.

In view of the short-term nature of the risks covered by these provisions, the discounting impact is immaterial and therefore not recognized.

At the time of the effective payment, the provision reversal is deducted from the corresponding expenses.

Provision for warranties

A provision for warranties covers, on the basis of historical data, probable costs arising from warranties granted by the Group to its customers at the time of the sale of equipment, for replacement of parts, technicians' travel and labor costs. This provision is recorded at the time of the booking of the sale generating a contractual obligation of warranty.

Note 2.19 Trade payables

Trade accounts payables refer to obligations to pay for goods or services acquired in the ordinary course of business. They are classified in current liabilities when payment is due in less than twelve months, or in non-current liabilities when payment is due in more than one year.

Note 2.20 Revenues

Contracts with customers comprise multiple obligations such as: equipment and accompanying software, perpetual software licenses, consumables and parts, training and consulting, installation, maintenance 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), under perpetual license, usually installed on the clients' computers, sold separately from the equipment on a regular basis, are considered separate performance obligations.

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

- installation of equipment and specialized software is made in a few days, easy to implement, and does not modify their characteristics;
- training is short-term and had no interdependence relationship with the other obligations;
- consulting usually regards the optimization of clients' design and production processes and is very often sold separately to clients;
- regarding maintenance of software and equipment, these are mostly yearly contracts in which the Group's commitment is a stand-ready type, or an obligation to make future not-yet-developped 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.

Software sold as perpetual licenses is regarded as right-of-use licenses under IFRS 15, for which revenue is booked at a certain date, generally

the time of installation of the software on the customer's computer (either by CD-ROM or downloading).

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

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

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.

Note 2.21 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'.

Note 2.22 Research and development

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

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

Note 2.23 Grants

Investment grants are deducted from the cost of the fixed assets in respect of which they were received. Consequently they are recognized in the income statement over the period of consumption of the economic benefits expected to derive from the corresponding asset.

Operating grants are deducted from their associated charges in the income statement. This applies to subsidies received to finance research and development projects.

The research tax credit and innovation tax credit applicable in France are treated as subsidies and are discounted in light of the probability of future offsetting against income tax and in light of reimbursement of the unused portion after four years (see notes 11 and 16).

Note 2.24 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.

Note 2.25 Operating segments

Operating segment reporting is based directly on the Group's performance tracking and review systems. The segments disclosed in note 39 are identical to those covered by the information regularly communicated to the Executive Committee, in its capacity as the Group's 'chief operating decision maker'.

Reported segments refer to the major marketing regions. The regions concerned are: the Americas; Northern and Eastern Europe and Middle East; Southern Europe and North Africa; and Asia-Pacific. These regions are involved in sales and the provision of services to their customers. They do not perform any industrial activities or R&D. They draw on centralized competencies and a wide array of functions that are pooled among all of the regions, including marketing, business development, logistics, procurement, production, R&D, finance, legal affairs, human resources,

information systems. All of these cross-divisional activities are reported as an additional column referred to here as 'Corporate' and which allows for reconciliation with the amounts presented in the Group's financial statements.

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

Note 2.26 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 above; 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

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 and 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 and free cash-flow before non-recurring items

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 the teams' work on cash management.

Security ratio

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

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

Note 2.27 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 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 (see note 7) and fixed assets impairment, evaluation of deferred tax assets (see note 13.3).

Note 2.28 Translation methods

Translation of financial statements of foreign subsidiaries

For most subsidiaries, which are all foreign companies, the functional currency is the local currency, which corresponds to the currency in which the majority of their transactions are denominated.

Accounts are translated as follows:

- assets and liabilities are translated at the official year-end closing rates;
- reserves and retained earnings are translated at historical rates;
- income statement items are translated at the average monthly exchange rates for the year for revenues and cost of products and services sold, and at the annual average rate for all other income statement items other than in the case of material transactions;
- items in the cash flow statement are translated at the annual average exchange rate. Thus, movements in short-term assets and liabilities are not directly comparable with the corresponding movements in the statement of financial position, due to the currency translation impact, which is shown under a separate heading in the cash flow statement: 'Effect of changes in foreign exchange rates';
- gains or losses arising from the translation of the net assets of consolidated subsidiaries, and those derived from the use of average exchange rates to determine income or loss, are recognized in 'Currency translation adjustment' in other comprehensive income and therefore have no impact on earnings, unless all or part of the corresponding investments are divested. They are adjusted to reflect long-term unrealized gains or losses on internal Group positions.

Translation of items from the statement of financial position denominated in foreign currencies

Third-party receivables and payables

Foreign currency purchases and revenues are booked at the average exchange rate for the month in which they are recorded, and may be hedged.

Receivables and payables denominated in foreign currencies are translated at the December 31 exchange rate.

Unrealized differences arising from the translation of foreign currencies appear in the income statement. Where a currency has been hedged forward, the translation adjustment reflected on the income statement is offset by the change in fair value of the hedging instrument.

Inter-company receivables and payables

Translation differences on short-term receivables and payables are included in net income using the same procedure as for third-party receivables and payables. Unrealized translation gains or losses on long-term assets and liabilities, whose settlement is neither scheduled nor probable in the foreseeable future, are recorded as a component of other comprehensive income under the heading 'Currency translation adjustment' and have no impact on net income, in compliance with the paragraph 'Net Investment in a Foreign Operation' of IAS 21.

Exchange rate table of main currencies

(equivalent value for one euro)	**2021**	2020
US dollar		
Annual average rate	1.18	1.14
Average rate used for Gerber entities (June 1 - December 31)	1.17	na
Closing rate	1.13	1.23
Chinese yuan		
Annual average rate	7.63	7.87
Average rate used for Gerber entities (June 1 - December 31)	7.51	na
Closing rate	7.22	8.01

Note 2.29 Consolidation methods

The consolidated financial statements include the accounts of the parent company Lectra SA and the subsidiaries the Group controls. The Group controls a subsidiary when it is exposed or has rights to variable earnings due to its links with the entity and its ability to change these earnings owing to the power it holds over the entity.

Subsidiaries are fully consolidated from the date of transfer of control over them to the Group. They are removed from consolidation from the date at which it ceases to control them or at which these entities are liquidated.

Lectra SA holds more than 99% of the voting rights of its subsidiaries except for:

- Retviews SA and Retviews Bucharest SRL, for which it holds 90%;
- Neteven SA, for which it holds 80%;
- Gemini CAD Systems SA, for which it holds 60%.

The value of non-controlling interests for these four entities being immaterial compared to the total equity (2,724 thousand euros over 400,786 thousand euros of equity), the Group does not disclose the details of the other comprehensive income related to these non-controlling interests.

The entities that are consolidated are designated FC (fully consolidated) in the table below.

Certain sales and service subsidiaries not material to the Group, either individually or in the aggregate, are not consolidated. Most of these subsidiaries' sales activity is billed directly by Lectra SA. They are designated NC (non-consolidated) in the table.

Companies are consolidated on the basis of local documents and financial statements drawn up in each country and restated in accordance with the aforementioned accounting rules and methods.

All intra-Group balances and transactions, together with unrealized profits arising from these transactions, are eliminated upon consolidation.

Note 2.30 Scope of consolidation

At December 31, 2021, the Group's scope of consolidation comprised Lectra S.A. together with 58 fully-consolidated companies, 25 of which come from the acquisition of Gerber (signaled with an asterisk here below).

		% of ownership and control		Consolidation method[1]	
Company	Country	**2021**	2020	**2021**	2020
Parent company					
Lectra SA	France				
Subsidiaries					
Gerber Technology Pty Ltd *	Australia	100.0	-	FC	-
Lectra Australia Pty Ltd	Australia	100.0	100.0	FC	FC
Gerber Technology NV/SA *	Belgium	100.0	-	FC	-
Lectra Benelux NV	Belgium	99.9	99.9	FC	FC
Retviews SA	Belgium	90.0	80.0	FC	FC
Lectra Brasil Ltda	Brazil	100.0	100.0	FC	FC
Gerber Scientific International (Cambodia) Co. Ltd *	Cambodia	100.0	-	FC	-
Lectra Canada Inc.	Canada	100.0	100.0	FC	FC
Lectra Chile SA	Chile	99.9	99.9	NC	NC
Gerber Scientific (Shanghai) Co. Ltd *	China	100.0	-	FC	-
Gerber Scientific International Ltd *	China	100.0	-	FC	-
Lectra Hong Kong Ltd	China	99.9	99.9	FC	FC
Lectra Systems (Shanghai) Co. Ltd	China	100.0	100.0	FC	FC
Gerber Scientific International A/S *	Denmark	100.0	-	FC	-
Lectra Danmark A/S	Denmark	100.0	100.0	FC	FC
Lectra Baltic Oü	Estonia	100.0	100.0	FC	FC
Lectra Suomi Oy	Finland	100.0	100.0	FC	FC
Gerber Technology SAS *	France	100.0	-	FC	-
Neteven SA	France	80.0	-	FC	-
Gerber Technology GmbH *	Germany	100.0	-	FC	-
Lectra Deutschland GmbH	Germany	99.9	99.9	FC	FC
Lectra Technologies India Private Ltd	India	100.0	100.0	FC	FC
Gerber Technology Srl *	Italy	100.0	-	FC	-
Kubix Lab Srl	Italy	100.0	100.0	FC	FC
Lectra Italia SpA	Italy	100.0	100.0	FC	FC
Lectra Japan Ltd	Japan	100.0	100.0	FC	FC
Gerber Technology Malaysia SDN. BHD. *	Malaysia	100.0	-	FC	-
Gerber Technology S. de RL de CV *	Mexico	100.0	-	FC	-
Lectra Systèmes SA de CV	Mexico	100.0	100.0	FC	FC
Gerbertec Maroc Sarl *	Morocco	100.0	-	FC	-
Lectra Maroc Sarl	Morocco	99.4	99.4	FC	FC
Lectra Philippines Inc.	Philippines	99.8	99.8	NC	NC
Gerber Technology sp. z o.o. *	Poland	100.0	-	FC	-
Gerber Portugal Lda *	Portugal	100.0	-	FC	-
Lectra Portugal Lda	Portugal	99.9	99.9	FC	FC
Gemini CAD Systems SA	Romania	60.0	-	FC	-
Retviews Bucharest SRL	Romania	90.0	80.0	FC	FC
Lectra Russia OOO	Russia	100.0	100.0	FC	FC
Lectra Singapore Pte Ltd	Singapore	100.0	100.0	NC	NC
Lectra South Africa (Pty) Ltd	South Africa	100.0	100.0	FC	FC
Lectra Korea Ltd	South Korea	100.0	100.0	FC	FC
Gerber Technology S.L. *	Spain	100.0	-	FC	-
Lectra Sistemas Española SAU	Spain	100.0	100.0	FC	FC
Lectra Sverige AB	Sweden	100.0	100.0	FC	FC

(1) FC: Fully consolidated - NC: Non-consolidated

Company	Country	% d'intérêt et de contrôle 2021	% d'intérêt et de contrôle 2020	Méthode de consolidation (1) 2021	Méthode de consolidation (1) 2020
Lectra Taiwan Co. Ltd	Taiwan	100.0	100.0	FC	FC
Lectra Tunisie CP Sarl	Tunisia	100.0	100.0	FC	FC
Lectra Tunisie SA	Tunisia	99.8	99.8	FC	FC
Lectra Systemes CAD - CAM AS	Turkey	99.0	99.0	FC	FC
Gerber Scientific UK Ltd *	United Kingdom	100.0	-	FC	-
Gerber Technology Ltd *	United Kingdom	100.0	-	FC	-
Lectra UK Ltd	United Kingdom	99.9	99.9	FC	FC
AG Finco LLC *	USA	100.0	-	FC	-
AG Guarantor LLC *	USA	100.0	-	FC	-
AG Holding Mexico LLC *	USA	100.0	-	NC	-
AG UK Acquireco Ltd *	USA	100.0	-	FC	-
Gerber Scientific LLC *	USA	100.0	-	FC	-
Gerber Technology LLC *	USA	100.0	-	FC	-
Knife Holding Corporation Inc. *	USA	100.0	-	FC	-
Lectra USA Inc.	USA	100.0	100.0	FC	FC
Công Ty TNHH Lectra Vietnam	Vietnam	100.0	100.0	FC	FC
Gerber Scientific International (Vietnam) Co. Ltd *	Vietnam	100.0	-	FC	-

(1) FC: Fully consolidated - NC: Non-consolidated

Acquisition of Gemini

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

The transaction involved, in 2021, the acquisition of 60% of the capital and voting rights of Gemini for 7,590 thousand euros. The acquisition of the remaining capital and voting rights (minority shares purchase commitment – with cross puts and calls) will take place in two installments in September 2024 and September 2026 and will bring the total cost of the acquisition between 13 and 20 million euros.

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

- goodwill recorded for an amount of 6,045 thousand euros;
- a technology-related intangible asset recorded for an amount of 2,232 thousand euros;
- non-controlling interests recorded for an amount of 1,030 thousand 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 7,000 thousand 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 7,102 thousand euros.

Gemini has been fully consolidated since September 27, 2021.

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

Acquisition of Neteven

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

The transaction involved, in 2021, the acquisition of 80% of the capital and voting rights of Neteven for 12,584 thousand euros. The acquisition of the remaining capital and voting rights (minority shares purchase commitment – with cross puts and calls) will take place in June 2025 for an amount between 0.6 and 0.9 times the 2024 recurring revenues.

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

- goodwill recorded for an amount of 10,756 thousand euros;
- a technology-related intangible asset recorded for an amount of 1,476 thousand euros;
- non-controlling interests recorded for an amount of 470 thousand 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 2,500 thousand 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 11,789 thousand euros.

Neteven has been fully consolidated since July 28, 2021.

Acquisition of Gerber

On June 1, 2021, Lectra finalized the acquisition of all outstanding shares of Gerber, for 173,914 thousand euros (after final determination of the transaction price) – financed through a 140-million-euro loan and the Group's available cash – plus 5 million newly issued Lectra shares to AIPCF VI LG Funding LP, Gerber's sole shareholder.

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

Business combination – acquisition method

The purchase accounting (performed under IFRS 3) and the evaluation of its tax effects are still on-going, but provisional amounts have been calculated, that might be reviewed in the future.

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

The fair value of net assets acquired and liabilities assumed was 139,409 thousand 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 151,000 thousand US dollars (123,760 thousand euros at June 1, 2021 exchange rate), as described in note 8;
- the impacts of IFRS 16 implementation on Gerber lease agreements, taking into account that the lease for the main site at Tolland (USA) was signed for a rent amount now grossly above local market prices, leading to a decrease in the valuation of the associated right-of-use.

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

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

ASSETS

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

LIABILITIES

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

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

Since Lectra acquired on June 1, 2021 all outstanding Gerber shares for five million newly issued shares, at a share price of €33.05, and 173,914 thousand euros in cash (final acquisition price), the goodwill amounted to 199,755 thousand euros:

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

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

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

Transaction costs

The transaction costs relating to this acquisition under IFRS 3 (mainly fees from the legal, tax and financial counsels) have been accounted for within the 'Non-recurring expenses' in the income statement since Q4 2020, and amounted to a total 3,875 thousand euros.

Pro forma information

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

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

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

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

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

(1) The amounts for the acquisitions of Neteven and Gemini, net of cash acquired, should be added: 11,789 thousand euros for Neteven and 7,102 thousand euros for Gemini, thus totaling 180,980 thousand euros as shown in the consolidated cash-flow statement.

Acquisition of Retviews

In July 2019, the Group purchased the Belgian company Retviews and its Romanian subsidiary Retviews Bucharest SRL. The transaction involved the immediate acquisition of 70% of the capital and voting rights of Retviews for 8 million euros. As initially planned, Lectra acquired in July 2020 an additional 10% of Retviews, for an amount of 1 million euros: 0.9 million euros paid out in July 2020 and the remainder in January 2021. Similarly, Lectra acquired in July 2021 another additional 10% of Retviews, for an amount of 1,495 thousand euros: 1,196 thousand 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 2,464 thousand euros, classified as current liabilities.

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

There was no other change in the scope of consolidation in 2021 and 2020.

NOTE 3 Risk management policy

The Group's risk management policy contained in these notes to the consolidated financial statements is further discussed with more details in the Management Discussion of the Board of Directors, in chapter 4, Risk Factors — Internal Control And Risk Management Procedures and in chapter 13, Business Trends and Outlook, as well as in the Non-financial Statement (chapters 3 and 5), to which readers are invited to refer.

Note 3.1 Specific foreign exchange risks – derivative financial instruments

Exchange rate fluctuations impact the Group at two levels.

Competitive and market impact

The Group sells its products and services in global markets. It manufactures its equipment in France, in the United States and in China, whereas its main competitors manufacture their equipment in China. As a result, their production costs are primarily in Chinese yuan, while those of the Group are for more than a half in euros.

In fashion, a lot of European and American customers have relocated their production abroad and major currency fluctuations – especially between the yuan, the dollar and the euro – encourage them to adjust their sources of supply. On the other hand, automotive and furniture customers generally sell in the same currencies as the countries or regions in which they produce, so fluctuations in those currencies would have little impact on them.

Currency translation impact

On the income statement, as accounts are consolidated in euros, revenues, gross profit, and income from operations of a subsidiary conducting its business in a foreign currency are mechanically affected by exchange rate fluctuations when translated into euros.

In the statement of financial position, this refers primarily to foreign currency accounts receivable by the Company from its subsidiaries and customers for direct sales are recorded in original currencies. The risk relates to the variation between exchange rates at billing date and those at collection date. This impact is recognized in 'Foreign exchange income (loss)' in the income statement.

Currency risk is borne by the parent company. The Group seeks to protect all of its foreign currency receivables and debts as well as, when on economically reasonable terms, future cash flows against currency risk. Hedging decisions take into account currency risks and trends where these are likely to significantly impact the Group's financial condition and competitive situation. The bulk of foreign currency risks concerns the US dollar.

The Group generally seeks to hedge the risk arising in respect of its net operational exposure to the US dollar (revenues less all expenses denominated in US dollars or strongly correlated currencies) by purchasing dollar puts (or euro calls) or by forward currency contracts, when justified by the cost of the hedge. This was not the case in 2021, nor in 2020.

The Group's statement of financial position exposure, for Lectra legacy entities, is monitored in real time; it uses forward currency contracts to hedge all relevant receivables and debts. Consequently, all changes in the value of these instruments offset foreign exchange gains and losses on the re-measurement of these receivables and debts. The Group does not apply hedge accounted as defined by the IFRS.

Note 3.2 Interest rate risk

The Group's only exposure to interest rate fluctuations is the variable-rate loan taken out on June 1, 2021 (see note 22), for which interest-rate risk has not been hedged.

However, the Group regularly monitors interest rate developments and may decide to use financial instruments such as interest rate swaps and options to limit the impact on the cost of the loan.

It follows a conservative policy in short-term investing its cash surpluses, placing them only in negotiable certificates of deposit issued by the Group's banks, or in interest-bearing sight accounts or time deposits.

Note 3.3 Customer dependency risk

There is no material risk of dependence on any particular customer or group of customers, as for Lectra legacy entities, no individual customer has represented more than 4% of consolidated revenues over the last three-year period 2019-2021, and the Company's 10 largest customers combined has represented less than 20% of revenues, and the top 20 customers less than 25%.

A more precise analysis of Gerber's figures and the consolidated figures will be made in 2022, but as Gerber sells to a large number of customers, and because of the low number of customers shared by Lectra and Gerber before the acquisition, there should be no increased risk of dependency on certain customers.

Note 3.4 Credit and counterparty risks

The Group is exposed to credit risks in the event of customer insolvency or default, which can negatively impact Group profit. The Group pays close attention to the security of payment for the systems and services delivered to its customers. It manages this risk via a range of procedures, which include in particular preventively analyzing its

customers' solvency and provide for the strict and systematic application of several measures for dealing with customers in arrears.

The Group's exposure to counterparty risk is very low. It arises from its cash holdings, only consisting in interest-bearing sight accounts held with blue-chip international banks, and contracts entered into within the framework of its policy on foreign exchange risk hedging, negotiated exclusively in France with the Company's three banks. The corresponding asset values are monitored regularly.

Note 3.5 Liquidity risk

The main indicator monitored by the Group in order to measure a possible liquidity risk is available cash. This indicator is compared against cash forecasts over a three-month time horizon.

Throughout the term of the loan, the Group is subject to compliance with a leverage ratio covenant regarding the ratio of net financial debt to EBITDA on June 30 and December 31 of each year. Breach of the covenant would permit the lender to demand repayment of the full amount outstanding. These conditions are set out in note 22. The Group was in compliance with the covenant on December 31, 2021.

In view of these factors and the cash flows that the Group expects to generate (due in particular to a structurally negative working capital requirement), the risk that the Group may have to contend with a short-term cash shortage is close to zero.

Note 3.6 Risks related to the effects of climate change

Given its activity, and the concentration of a large part of its industrial operations at its Bordeaux-Cestas site, the Group does not consider the risks related to the effects of climate change to be material. However, it cannot exclude that, in some parts of the world, extreme climate events could have an impact on its customers, their activity and their investment decisions. This risk is minimized, however, by the location of Lectra's activity across the entire world.

Thus, the Group concluded there would be no impact coming from the effects of climate change in its financial statements. This topic is further detailed in chapter 5 of the Non-financial Statement.

NOTE 4 Dividend

The Board of Directors has proposed to the Shareholders' Meeting on April 29, 2022 to declare a dividend of €0.36 per share in 2022 in respect of fiscal year 2021.

The Company declared a dividend of €0.24 per share in 2021, in respect of fiscal year 2020.

NOTE 5 Impacts of the health crisis

The COVID-19 epidemic and its consequences really marked 2020, and then 2021.

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.

Lockdown measures implemented by most countries, over the past two years, could lead to a reduction in activity by the Group's customers, without raising any going-concern issue.

Given its strong financial situation and its resilience capacity, the Group was even able to launch ambitious acquisitions, such as the one of Gerber, finalized on June 1, 2021.

The strict monitoring of overheads, the unfolding of its development plan and the pick-up in activity over most of 2021 thus allowed the Group to face the health crisis with limited impacts on its financial statements.

As detailed in note 7, the impacts of the health crisis were taken into account for the impairment tests performed by the Group in December 2020 and then 2021. These tests conclude that no impairment should be recorded, on either goodwill or other non-current assets of the Group.

NOTE 6 Post-closing events

No significant event has occurred since December 31, 2021.

Notes to the statement of financial position

consolidated

NOTE 7 Goodwill

The acquisitions, in 2021, of Gerber, Neteven and Gemini led to recording goodwill as described in note 2.30, for respective amounts of 199,755 thousand euros, 10,756 thousand euros and 6,045 thousand euros at the acquisition dates, and of 211,175 thousand euros, 10,756 thousand euros and 6,044 thousand euros at December 31, 2021, due to currency rates fluctuations.

For the record, the acquisition in July 2019 of the Belgian company Retviews SA and its Romanian subsidiary had led to recognition of goodwill in the amount of 7,673 thousand euros and a commitment to purchase the minority shares, to be paid in three installments. The acquisitions of non-controlling interests made in 2020 and 2021 had no impact on the initial goodwill.

As a reminder, the acquisition of Kubix Lab in January 2018 comprised 4,000 thousand euros in earn out (already placed in escrow), split between 1,300 thousand euros and 2,700 thousand euros paid respectively 18 and 36 months after the signature, providing objectives are met. The first earn-out payment, in the amount of 1,300 thousand euros, was transferred to the seller in July 2019, and the remainder of 2,700 thousand euros was integrally transferred in January 2021, since the objectives were met.

No other acquisition or liquidation was made in fiscal years 2021 or 2020.

	2021	2020
Book value at January 1	**46,528**	**47,380**
Change in scope of consolidation [1]	216,556	-
Exchange rate differences	12,166	(852)
Book value at December 31	**275,250**	**46,528**

(1) Integration of Gerber, Neteven and Gemini in 2021, see note 2.30.

Goodwill reallocation

Following the integration of Gerber and the organization of the Group's activities by region, financial and business flows, as well as operational management, are now centered around four large regions, namely: the Americas; Northern and Eastern Europe and Middle East; Southern Europe and North Africa; and Asia-Pacific. These regions now have sufficient autonomy to generate cash inflows independently from one another. Thus, the Group was led to reallocate goodwill to groups of CGUs (Cash Generating Units) corresponding to these four large regions.

The integration of Gerber was made in a regional way as well, so that goodwill recognized in the acquisition was allocated to each region. The same happened for Neteven and Gemini.

Impairment tests: parameters used

Goodwill shown in the statement of financial position was subjected to impairment testing in December 2021. The projections used are based on the 2022–2024 plan for each region based on actual 2021 cash flows and on forecast trends in each market concerned and, beyond 2024, on a projection to infinity using a 2% growth rate assumption.

Future flows after tax are discounted using the weighted average cost of capital. The discount rates adopted differ depending on the region to allow for exposure to local economic environments. They break down as follows:

- the cost of capital is determined on the basis of an estimated risk-free rate for each region plus a market risk premium of 5% adjusted for the sector's beta;
- a specific risk premium has been computed for each region. This varies between 1% and 1.5% depending on the estimated risk attached to fulfillment of the 2022–2024 plan;
- the normative cost of debt is determined on the basis of average market conditions for the fourth quarter of 2021 plus the margin applied by the banks for the calculation of interest on the bank loan taken out by the Company in June 2021.

Impairment tests: impacts of the health crisis

The Group adapted its previsions in the 2022–2024 plan, but its financial robustness and its business model, including a significant part of recurring revenues, the margin of which covers the majority of fixed overheads, allowed to anticipate an activity level high enough to provide the results detailed below.

Impairment tests: results

The resulting estimates of the value in use of goodwill components for the year end closing have not led to any impairment, as in 2020.

An identical valuation of the regions would result from applying a pre-tax discount rate to pre-tax cash flows.

Impairment tests: sensitivity analyses

No reasonably possible variation could lead to an impairment. Indeed, the following sensitivity calculations have been performed:

- a 1 percentage point rise in the discount rate;
- a 1 percentage point decline relative to the revenue growth assumptions for each region used in the drawing up of the 2022–2024 plan;
- a 1 percentage point decline in the gross profit margin assumptions used in the drawing up of the 2022–2024 plan;
- a 1 percentage point decline in the long-term growth rate to infinity (from 2% to 1%).

None of these calculations would entail any impairment of goodwill.

At December 31, 2021, goodwill and discount rates used in impairment testing were allocated as follows among the different regions:

	2021		2020	
	Discount rate	Goodwill	Discount rate	Goodwill
Americas	7.69%	120,732	8.12%	10,029
Asia – Pacific	7.72%	50,082	8.08%	2,492
Northern & Eastern Europe, Middle East	6.81%	43,518	7.65%	9,903
Southern Europe & North Africa	5.87%	60,917	7.42%	24,104
Total		**275,250**		**46,528**

NOTE 8 Other intangible assets

2020	Internal software and developments	Technology, patents and trademarks	Customer relationships	Other	Total
Gross value at January 1, 2020	**25,176**	**1,563**	**-**	**869**	**27,607**
External purchases	672	91	-	-	763
Internal developments	1,442	-	-	-	1,442
Write-offs and disposals	(469)	-	-	-	(469)
Exchange rate differences	(92)	-	-	(9)	(101)
Gross value at December 31, 2020	**26,728**	**1,653**	**-**	**861**	**29,242**
Amortization at December 31, 2020	(22,286)	(1,434)	-	(857)	(24,578)
Net value at December 31, 2020	**4,442**	**219**	**-**	**3**	**4,665**

2021	Internal software and developments	Technology, patents and trademarks	Customer relationships	Other	Total
Gross value at January 1, 2021	**26,728**	**1,653**	**-**	**861**	**29,242**
External purchases	395	190	-	12	597
Internal developments	2,423	-	-	-	2,423
Change in scope of consolidation[1]	1,476	58,627	68,847	-	128,950
Write-offs and disposals	(99)	-	-	-	(99)
Exchange rate differences	182	4,247	5,319	3	9,751
Gross value at December 31, 2021	**31,105**	**64,717**	**74,166**	**876**	**170,864**
Amortization at December 31, 2021	(24,207)	(4,825)	(2,884)	(865)	(32,780)
Net value at December 31, 2021	**6,899**	**59,893**	**71,281**	**11**	**138,084**

(1) Integration of Gerber, Neteven and Gemini in 2021, see note 2.30.

Changes in amortization:

2020	Internal software and developments	Technology, patents and trademarks	Customer relationships	Other	Total
Amortization at January 1, 2020	**(21,388)**	**(1,346)**	**-**	**(865)**	**(23,599)**
Amortization charges	(1,434)	(88)	-	(1)	(1,522)
Amortization write-backs	451	-	-	-	451
Exchange rate differences	84	-	-	8	92
Amortization at December 31, 2020	**(22,286)**	**(1,434)**	**-**	**(857)**	**(24,578)**

2021	Internal software and developments	Technology, patents and trademarks	Customer relationships	Other	Total
Amortization at January 1, 2021	**(22,286)**	**(1,434)**	**-**	**(857)**	**(24,578)**
Amortization charges	(1,941)	(3,298)	(2,798)	(2)	(8,039)
Amortization write-backs	96	-	-	-	96
Exchange rate differences	(75)	(93)	(86)	(5)	(260)
Amortization at December 31, 2021	**(24,207)**	**(4,825)**	**(2,884)**	**(865)**	**(32,780)**

Internal software and developments

As part of an ongoing process to upgrade and reinforce its information systems, in 2020 and 2021 the Group has purchased licenses of new information management software together with additional licenses for software already in use. Investments concerned license purchase costs together with the cost of developing and configuring the corresponding software.

A growing part of the new management software used by the Group is contracted through subscription, and not the acquisition of licenses, which entails a decrease in the amount of new purchases of this caption, in respect of past years.

Write-offs and disposals of intangible assets mainly concern the scrapping of obsolete software.

Technology, patents and trademarks

This caption includes, for 2021, the impacts of the acquisition method accounting for Gerber, Neteven and Gemini, including the following values (at respective acquisition dates):

- Gerber trademark: 24,588 thousand euros (26,488 thousand euro at closing rate);
- Technologies: 34,033 thousand euros (of which 30,325 thousand euros for Gerber technologies, that is, 32,668 thousand euros at closing rate).

Customer relationships

This caption solely includes the valuation of Gerber customer relationships, as identified during the acquisition method accounting (and denominated in US dollars).

Other intangible assets

At December 31, 2021, nearly all of the other intangible assets were fully amortized several years ago. The net residual value of these intangible assets was 11 thousand euros.

NOTE 9 Property, plant and equipment

2020	Land and buildings	Fixtures and fittings	Equipment and other	Assets under construction	Total
Gross value at January 1, 2020	**13,787**	**19,408**	**28,860**	**2,771**	**64,826**
Additions	172	600	1,224	202	2,198
Write-offs and disposals	-	(39)	(833)	-	(872)
Transfers	1,072	1,028	798	(2,696)	201
Exchange rate differences	(23)	(117)	(282)	-	(421)
Gross value at December 31, 2020	**15,009**	**20,878**	**29,768**	**277**	**65,932**
Depreciation at December 31, 2020	(7,045)	(11,485)	(22,334)	-	(40,865)
Net value at December 31, 2020	**7,963**	**9,393**	**7,434**	**277**	**25,067**

2021	Land and buildings	Fixtures and fittings	Equipment and other	Assets under construction	Total
Gross value at January 1, 2021	**15,009**	**20,878**	**29,768**	**277**	**65,932**
Additions	-	88	1,389	1,676	3,153
Change in scope of consolidation[1]	-	3,289	778	69	4,136
Write-offs and disposals	-	(342)	(2,121)	-	(2,463)
Transfers	-	89	163	(252)	-
Exchange rate differences	(2)	386	197	1	582
Gross value at December 31, 2021	**15,006**	**24,389**	**30,175**	**1,771**	**71,341**
Depreciation at December 31, 2021	(7,310)	(13,041)	(22,930)	-	(43,281)
Net value at December 31, 2021	**7,696**	**11,348**	**7,245**	**1,771**	**28,060**

(1) Integration of Gerber, Neteven and Gemini in 2021, see note 2.30.

Changes in depreciation:

2020	Land and buildings	Fixtures and fittings	Equipment and other	Assets under construction	Total
Depreciation at January 1, 2020	**(6,824)**	**(10,236)**	**(20,804)**	**-**	**(37,864)**
Additional depreciation	(223)	(1,368)	(2,541)	-	(4,132)
Write-offs and disposals	-	31	811	-	842
Transfers	-	10	(18)	-	(8)
Exchange rate differences	2	78	218	-	298
Depreciation at December 31, 2020	**(7,045)**	**(11,485)**	**(22,334)**	**-**	**(40,865)**

2021	Land and buildings	Fixtures and fittings	Equipment and other	Assets under construction	Total
Depreciation at January 1, 2021	**(7,045)**	**(11,485)**	**(22,334)**	**-**	**(40,865)**
Additional depreciation	(265)	(1,831)	(2,532)	-	(4,628)
Write-offs and disposals	-	339	2,095	-	2,434
Transfers	-	-	-	-	-
Exchange rate differences	0	(64)	(158)	-	(222)
Depreciation at December 31, 2021	**(7,310)**	**(13,041)**	**(22,930)**	**-**	**(43,281)**

Land and buildings

'Land and buildings' pertain mostly to the Group's industrial facilities in Bordeaux–Cestas (France), amounting to a gross value of 14,290 thousand euros, net of investment grants received and to a net value of 7,063 thousand euros at December 31, 2021. They also include the offices of Lectra Korea, located in Seoul, purchased on May 1, 2014, for a net amount of 633 thousand euros at December 31, 2021 closing rate.

The facilities in Bordeaux–Cestas cover an area of 11.6 hectares (28.7 acres) and the buildings represent 33,466 sq. m. (360,225 sq. ft.). Land and buildings were partly purchased by the Company under financial leases (the Company became owner of them in October 2002), and partly outright. These have been paid for in full. Investments are made on a regular basis on the Bordeaux–Cestas facilities, mainly related to the extension and rehabilitation of buildings.

At December 31, 2021, the land (non-depreciable) is valued at 979 thousand euros. The buildings total a gross value of 14,027 thousand euros, already 7,310 thousand euros depreciated.

Fixtures and fittings

Fixtures and fittings refer to the Bordeaux–Cestas industrial facility and the fittings installed in all Group subsidiaries for a gross amount of 24,389 thousand euros and for a net amount of 11,348 thousand euros at December 31, 2021.

Investments have been made in fixtures and fittings in 2021 and 2020 throughout the Group. In 2021, as in 2020, the investments mostly related to the rehabilitation of buildings on the Bordeaux–Cestas facilities; however, at December 31, 2021, most of these amounts can be found in the 'Assets under construction' caption.

Moreover, in 2021, new fixtures and fittings were integrated as part of the business combinations of the year (see note 2.30) and mainly concern the Tolland site (USA) for Gerber.

Equipment and other

Other fixed assets purchased in 2021 and 2020 mainly concerned computer equipment and manufacturing molds and tools for the Bordeaux–Cestas industrial facility.

NOTE 10 Leasing right-of-use

The following table sets out leasing right-of-use by category:

2020	Premises	Company cars	Equipment and other	Total
Gross value at January 1, 2020	**19,142**	**4,375**	**1,069**	**24,586**
New contracts	987	2,897	65	3,949
Modification of existing contracts	(646)	(11)	2	(655)
Disposals	(172)	(863)	(161)	(1,196)
Exchange rate differences	(539)	(84)	(10)	(633)
Gross value at December 31, 2020	**18,772**	**6,314**	**965**	**26,051**
Depreciation at December 31, 2020	(7,724)	(2,449)	(448)	(10,622)
Net value at December 31, 2020	**11,048**	**3,864**	**517**	**15,429**

2021	Premises	Company cars	Equipment and other	Total
Gross value at January 1, 2021	**18,772**	**6,314**	**965**	**26,051**
New contracts	1,703	1,947	68	3,718
Change in scope of consolidation[1]	14,962	1,125	247	16,334
Modification of existing contracts	(50)	(1)	(0)	(51)
Disposals	(398)	(1,308)	(15)	(1,722)
Exchange rate differences	1,589	66	32	1,687
Gross value at December 31, 2021	**36,577**	**8,143**	**1,297**	**46,017**
Depreciation at December 31, 2021	(13,147)	(3,539)	(788)	(17,475)
Net value at December 31, 2021	**23,430**	**4,604**	**509**	**28,543**

(1) Integration of Gerber, Neteven and Gemini in 2021, see note 2.30.

Information on lease liabilities is set out in note 20.

The 2021 changes in scope mainly correspond to leases identified during the acquisition of Gerber (see note 2.30), for which the main two contracts relate to Tolland and New York City (USA). The Tolland lease 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 at the acquisition date; this valuation was still valid on December 31, 2021.

NOTE 11 Other non-current assets

2020	Non-consolidated investments in subsidiaries	Research tax credit receivable	Other non-current financial assets	Total
Gross value at January 1, 2020	**2,239**	**14,743**	**1,469**	**18,451**
Additions	-	7,776	5,306	13,082
Disposals	-	-	(4,648)	(4,648)
Reclassification	-	(4,531)	-	(4,531)
Exchange rate differences	-	-	(53)	(53)
Gross value at December 31, 2020	**2,239**	**17,987**	**2,075**	**22,301**
Impairment provision at December 31, 2020	(1,309)	-	-	(1,309)
Net value at December 31, 2020	**930**	**17,987**	**2,075**	**20,992**

2021	Non-consolidated investments in subsidiaries	Research tax credit receivable	Other non-current financial assets	Total
Gross value at January 1, 2021	**2,239**	**17,987**	**2,075**	**22,301**
Additions	-	5,917	10,075	15,992
Change in scope of consolidation[1]	-	-	2,202	2,202
Disposals	-	-	(9,820)	(9,820)
Reclassification	-	(4,968)	(41)	(5,008)
Exchange rate differences	-	-	186	186
Gross value at December 31, 2021	**2,239**	**18,937**	**4,677**	**25,853**
Impairment provision at December 31, 2021	(1,215)	-	-	(1,215)
Net value at December 31, 2021	**1,024**	**18,937**	**4,677**	**24,638**

(1) Integration of Gerber, Neteven and Gemini in 2021, see note 2.30.

Investments in subsidiaries

Investments in subsidiaries' exclusively concern companies not included in the scope of consolidation.

At December 31, 2021, three sales and service subsidiaries were not consolidated, their revenues being immaterial both separately and in the aggregate. Most of these subsidiaries' sales activity is billed directly by the parent company, Lectra SA (see note 12).

Research tax credit

The Group presents separately the current and non-current part of the income tax receivable related to the French research tax credit. Thus, the portion corresponding to the research tax credit accounted for and not deducted from the corporate income tax in the past three years, and that will be repaid to the Group within the course of the second year (for the research tax credit recorded two years ago), third year (for the research tax credit recorded one year ago) and fourth year (for the research tax credit recorded in the past year), is presented within other non-current assets.

Note 16 describes the principles for accounting of the research tax credit receivable.

Other non-current financial assets

'Other non-current financial assets' at December 31, 2021 primarily consisted of deposits and guarantees for 3,479 thousand euros (1,302 thousand euros at December 31, 2020) together with the amount of 1,199 thousand euros placed by the Company at the disposal of Exane BNP Paribas, along with company shares under the liquidity agreement (see note 17.2).

The cumulative amount of all transactions on treasury shares by Exane BNP Paribas under the liquidity agreement is shown in additions (in case of sales of shares) and disposals (in case of purchases of shares) of other non-current financial assets (see note 17.2).

The movements for the period also concern cash exchanged between the Company and Exane BNP Paribas, under the liquidity agreement managed by the latter.

NOTE 12 Related-party transactions

The amounts below refer to fiscal year 2021 or December 31, 2021, as applicable.

Type of transaction	Items concerned in consolidated financial statements	Non-consolidated subsidiaries concerned	Amounts
Receivables[1]	Trade accounts receivable	Lectra Philippines Inc. (Philippines)	33
Payables[1]	Trade payables and other current liabilities	Lectra Singapore Pte Ltd (Singapore)	(1,055)
		Lectra Chile SA (Chile)	(5)
		Lectra Philippines Inc. (Philippines)	(65)
Sales[2]	Revenues	Lectra Chile SA (Chile)	78
		Lectra Philippines Inc. (Philippines)	94
Commissions [2]	Selling, general and administrative expenses	Lectra Singapore Pte Ltd (Singapore)	(132)
		Lectra Philippines Inc. (Philippines)	(5)
Personnel invoiced[2]	Selling, general and administrative expenses	Lectra Singapore Pte Ltd (Singapore)	(839)
Dividends[2]	Financial income	Lectra Chile SA (Chile)	66
		Lectra Philippines Inc. (Philippines)	254

(1) Amounts between brackets represent a liability in the statement of financial position, absence of brackets an asset.
(2) Amounts between brackets represent an expense for the year, absence of brackets an income for the year.

All of the parties concerned are non-consolidated subsidiaries acting either as agents or distributors of the Company's products in their respective countries. The transactions in question mainly concern purchases to the parent company for the purposes of their local operations or charges and commissions billed to the parent company in order to cover their overheads when they act as agents, as is generally the case with new systems sales.

Transactions with the Board of Directors are limited to compensation, details of which are provided in notes 32.5 and 32.6.

NOTE 13 Taxes

Note 13.1 Tax expense

	2021	2020
Current tax income (expense)	(7,825)	(5,991)
Deferred tax income (expense)	100	(140)
Net tax income (expense)	**(7,725)**	**(6,131)**

The research tax credit *(crédit d'impôt recherche)* applicable in France is deducted from R&D expenses (see note 30). It amounts to 8,295 thousand euros in 2021 (8,851 thousand euros in 2020).

This tax credit is therefore not included in the net tax charge for the two fiscal years presented here.

Note 13.2 Effective tax rate

	2021	2020
Income before tax	**35,969**	**23,709**
Standard rate of corporate income tax in France	27.1%	28.5%
Expense at standard rate of corporate income tax in France	**(9,756)**	**(6,757)**
Effect of other countries' different tax rates	306	230
Effect of unrecognized deferred tax assets	(1,020)	8
Effect of tax credits[1]	2,364	2,489
Effect of CVAE[2]	(456)	(1,059)
Effect of other non taxable income and non deductible expenses[3]	45	(673)
Others	791	(369)
Net tax income / (expense)	**(7,725)**	**(6,131)**
Consolidated effective tax rate	21.5%	25.9%

(1) This mainly includes the non-taxation of the research tax credit, included in the income before tax.

(2) The "cotisation sur la valeur ajoutée des entreprises" (CVAE – tax on corporate added value) in France satisfies the definition of an income tax as set forth in IAS 12.2.

(3) This mainly corresponds to income or expenses for the year that will never be subject to taxation or tax deduction, including in particular the neutralization for tax purposes of some consolidation entries.

Note 13.3 Deferred taxes

Owing to perspectives of future profits for the subsidiaries, related to their risks and functions profiles, the Group generally considers five years to be a reasonable period for the utilization of tax losses. Beyond that period, because forecasts of activity levels is deemed insufficiently reliable, the corresponding portion of their bases is not recognized. Forecasts made in order to determine the timetable for the utilization of deferred tax losses, based on assumptions consistent with those used in the impairment tests, were established on the basis of a Group three-year plan, extrapolated to five years, subject to annual review, with variants according to the strategic objectives of each of the subsidiaries concerned and allowing for the cyclical difficulties and macroeconomic environment in which it operates.

In the case of Gerber entities, the amount of deferred tax was identified in the acquisition of June 1, 2021, with a reversal horizon of fifteen years, which allows for a compensation of deferred tax assets on a longer basis. A specific calendar for utilization of tax losses carried forward was set out, in order to record only the deferred tax assets for which future utilization is predictable, even after five years.

At December 31, 2021, unrecognized deferred tax assets totaled 9,903 thousand euros, of which 7,044 thousand euros for Gerber entities, compared with 1,023 thousand euros at December 31, 2020.

The share of deferred taxes directly recognized in other comprehensive income for the year worked out to a negative 248 thousand euros corresponding to the tax effect of actuarial gains and losses on retirement benefit obligations booking (a positive 92 thousand euros in 2020).

Deferred taxes are listed below according to the type of timing difference:

2020	Tax losses carry-forward	Fixed assets and IFRS 16	Impairment of accounts receivable	Write-down of inventories	Other timing differences	**Total**
Total at January 1, 2020	1,215	(287)	277	2,077	5,307	8,589
P&L impact	(179)	300	17	(122)	(156)	(140)
Other comprehensive income impact	-	-	-	-	92	92
Exchange rate differences	(103)	110	(24)	(285)	(290)	(591)
Total at December 31, 2020	**933**	**124**	**271**	**1,670**	**4,953**	**7,950**

2021	Tax losses carry-forward	Fixed assets and IFRS 16	Impairment of accounts receivable	Write-down of inventories	Other timing differences	**Total**
Total at December 31, 2020	933	124	271	1,670	4,953	7,950
Implementation of IFRS IC decision relative to IAS 19[1]	-	-	-	-	(245)	(245)
Total at January 1, 2021	933	124	271	1,670	4,708	7,705
Change in scope of consolidation[2]	7,181	(15,134)	782	2,509	5,795	1,133
P&L impact	(386)	(25)	(311)	(1,197)	2,019	100
Other comprehensive income impact	-	-	-	-	(248)	(248)
Exchange rate differences	574	(1,211)	51	401	542	357
Total at December 31, 2021	**8,302**	**(16,246)**	**793**	**3,383**	**12,816**	**9,047**

(1) Implementation, on January 1, 2021, of IFRS IC decision relative to IAS 19, see note 2.1.
(2) Integration of Gerber, Neteven and Gemini in 2021, see note 2.30.

The integration of Gerber on June 1, 2021 had the following impacts on deferred taxation (by nature):

	June 1, 2021
Tax losses carry-forward	6,812
Fixed assets and IFRS 16	(14,765)
Impairment of accounts receivable	782
Write-down of inventories	2,509
Other timing differences	5,795
Total	**1,133**

'Other timing differences' comprise mainly timing differences related to retirement benefits and profit-sharing in France for Lectra S.A., as well as timing differences due to invoicing in some subsidiaries (corporate income tax based on invoicing and not revenue), and the impacts of deferred taxes related to implementation of IFRS 16.

Note 13.4 Schedule of recognized tax losses carry-forwards

	Expiration date			
	2022	Between 2023 and 2027	Beyond 2027	Total
Deferred tax assets on tax losses[1]	-	29	8,273	**8,302**

(1) The above expiration date corresponds to the maximum period of utilization. Recognized deferred tax assets are expected to be utilized within a period of one to five years.

NOTE 14 Inventories

	2021	2020
Raw materials	54,082	26,687
Finished goods and work-in-progress[1]	20,734	12,057
Inventories, gross value	**74,815**	**38,743**
Raw materials	(10,245)	(5,302)
Finished goods and work-in-progress[1]	(4,921)	(3,923)
Write-downs	**(15,165)**	**(9,224)**
Raw materials	43,837	21,385
Finished goods and work-in-progress[1]	15,813	8,134
Inventories, net value	**59,650**	**29,519**

(1) Including demonstration and second-hand equipment.

667 thousand euros of inventory fully written-down was scrapped in the course of 2021 (1,266 thousand euros in 2020), thereby diminishing the gross value and write-downs by the same amount. Inventory write-downs charged for the year amounted to 6,327 thousand euros (3,414 thousand euros in 2020). Reversals of previous write-downs relating to sales transactions amounted to 4,842 thousand euros (1,299 thousand euros in 2020), booked against the charges for the period.

It should be noted that the acquisition of Gerber led to a 17,267 thousand euros (net value) increase in inventory on June 1, 2021, the acquisition date. This inventory was booked at fair value as part of the business combination.

The strong increase in inventory at December 31, 2021, apart from the integration of Gerber in 2021, is also related to an increase in safety stock to face the tensions in procurement.

NOTE 15 Trade accounts receivable

	2021	2020
Trade accounts receivable, gross value	86,457	44,758
Provision for impairment	(3,510)	(1,749)
Trade accounts receivable, net value	**82,948**	**43,009**

The strong increase in trade receivables at December 31, 2021 is coming partly from the integration of Gerber, which led to a 29,572 thousand euros (net value) increase on the acquisition date, and partly from the fact that the December 31, 2020 amount was relatively low, following the strong decrease in activity for the year 2020, due to the health crisis.

Trade receivables at December 31, 2021 include a great portion of the 77,822 thousand euros, excluding taxes, on recurring contracts, other services and equipment billed in advance for 2022, but not yet collected (compared with 56,690 thousand euros, excluding taxes, at December 31, 2020 in respect of 2021), and for which the counterpart is recorded in 'Deferred revenues' (see note 24). Payments on recurring contracts generally become due on the first day of the period they cover.

Thus, at December 31, 2021, trade accounts receivable, net from deferred revenues and provision for impairment, amount to a positive 5,126 thousand euros (a negative 13,681 thousand euros at December 31, 2020).

It should be noted that contract assets, which would be invoices to be issued for the Group, are integrated in the 'Trade accounts receivable' line and do not represent a significant amount.

The Group recognizes an impairment expense on trade accounts in light of an individual analysis of overdue accounts receivable and lifetime expected credit losses. Changes in impairment charges are analyzed below:

	2021	2020
Impairment at January 1	**(1,749)**	**(2,233)**
Additional impairment	(1,316)	(1,110)
Write-back of impairment	2,821	1,536
Change in scope of consolidation[1]	(3,146)	-
Exchange rate differences	(120)	58
Impairment at December 31	**(3,510)**	**(1 749)**

(1) Integration of Gerber, Neteven and Gemini in 2021, see note 2.30.

Changes in impairment of accounts receivable and related accounts, net of irrecoverable receivables, are recognized under 'Selling, general and administrative expenses' in the income statement, on the line 'Net provisions' (see note 33).

Schedule of gross receivables by maturity:

	2021	2020
Receivables not yet due	70,075	34,959
Receivables overdue by:	16,382	9,799
- less than 1 month	7,638	4,566
- 1-3 months	5,261	1,496
- more than 3 months	3,483	3,737
Total	**86,457**	**44,758**

The majority of the provisions of accounts receivable and related accounts amounting to 3,510 thousand euros at December 31, 2021 concerned accounts more than three months overdue.

NOTE 16 Other current assets

	2021[(1)]	2020
Research tax credit[(2)]	5,309	4,578
Other tax receivables	3,041	1,677
Income tax down-payments	2,528	2,596
Staff and social security receivables	426	311
Other current assets	7,849	3,914
Total other current assets	**19,153**	**13,076**

(1) The 2021 amounts include Gerber, Neteven and Gemini (see note 2.30).

(2) The current portion of the research tax credit corresponds to the amount receivable within one year.

Research tax credit and innovation tax credit

When the research tax credit applicable in France 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, they are repaid to the Company in the course of the fourth year. Owing to that, the Group now 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 (see note 11). For Neteven, the research and innovation tax credits are treated as receivables that are repaid to the company the following year.

The research tax credit (8,295 thousand euros) for fiscal 2021 (only 5 months for Neteven) was accounted for but not received.

Thus, at December 31, 2021, the Group held a 24,245 thousand euros receivable on the French tax administration (of which 18,937 thousand euros classified within other non-current assets – see note 11). This 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 2021 (5,917 thousand euros), 2020 (7,847 thousand euros), 2019 (5,173 thousand euros) and 2018 (5,039 thousand euros);
- the remaining amount of the research tax credit and innovation tax credit, after deduction from the corporate income tax due by Neteven for 2021 (270 thousand 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, in Q3 2021, it received the balance outstanding relating to the 2017 tax credit of 4,537 thousand euros and expects to receive the reimbursement of the outstanding balance of these non-deducted tax credits as follows: in 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 credits 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.

Other tax receivables

Other tax receivables at December 31, 2021 comprised the recoverable value-added tax for parent company and its subsidiaries.

Other current assets

Other current assets comprise prepaid rental expenses (for contracts outside the scope of IFRS 16) and insurance premiums.

NOTE 17 Shareholders' equity

Note 17.1 Share capital and share premium

The share capital at December 31, 2021 totaled €37,742,959, divided into 37,742,959 shares with a par value of €1.00. It was €32,511,651, divided into 32,511,651 shares with a par value of €1.00, at December 31, 2020.

Since January 1, 2020, share capital has increased by:

- 5,000,000 shares issued for the acquisition of Gerber on June 1, 2021 (see note 2.30), along with a share premium of €117,500,000;
- 231,308 shares resulting from the exercise of stock options, that is, an increase of €231,308 of share capital together with a total share premium of €2,797,067 (issuance of 412,551 shares in 2020).

It should be noted that the share premium recorded in the statutory books of the Company was calculated based on Lectra's share price of February 8, 2021 (day the operation was announced), that is €24.50; the difference with the share price of the day the shares were issued (that is €33.05 on June 1, 2021) was recorded in the consolidated reserves.

Apart from the authority to increase the capital granted by the Shareholders' Meeting within the framework of the granting of stock options to senior managers and employees, there is no other authorization outstanding such as to alter the number of shares comprising the share capital.

The tables below provide details of changes in the number of shares, the capital and additional paid-in capital and merger premiums in fiscal 2021 and 2020.

Note 17.1.1 Share capital

	2021		2020	
	Number of shares	Share capital *(in euros)*	Number of shares	Share capital *(in euros)*
Share capital at January 1	**32,511,651**	**32,511,651**	**32,099,100**	**32,099,100**
Stock options exercised	231,308	231,308	412,551	412,551
Capital increase by issuance of new shares	5,000,000	5,000,000	-	-
Share capital at December 31	**37,742,959**	**32,742,959**	**32,511,651**	**32,511,651**

The shares comprising the capital are fully paid up.

Note 17.1.2 Share premium

	2021	2020
Share premium at January 1	**19,387**	**15,802**
Stock options exercised	2,797	3,585
Capital increase by issuance of new shares	117,500	-
Legal fees related to the issuance of new shares	(173)	-
Share premium at December 31	**139,511**	**19,387**

Note 17.2 Treasury shares

The ordinary shareholders' meeting on April 30, 2021 renewed the existing share buyback program authorizing the Board of Directors to buy and sell company shares. The purpose of this program is solely to maintain liquidity in the market of the Company's shares, via an authorized investment services provider acting within the framework of a liquidity agreement in compliance with the Charter of Ethics of the French Association of Investment Companies (AFEI) or any other charter recognized by the French Financial Markets Authority (AMF).

On December 27, 2018, Lectra signed a new contract with Exane BNP Paribas, in accordance with AMF decision n° 2018-01 of July 2, 2018, defining the accepted market practice relating to liquidity agreements on capital shares, applicable as of January 1, 2019. This new contract took effect as of January 2, 2019 and replaced the previous agreement signed on May 11, 2012 with Exane BNP Paribas.

At December 31, 2021, the Company held 7,035 shares, i.e. 0.02% of its capital within the framework of the liquidity agreement (compared with 0.04% at December 31, 2020) for a total of 271 thousand euros (compared with 343 thousand euros at December 31, 2020) representing an average purchase price of €38.51 per share, which has been deducted from shareholders' equity.

The resources allocated to the liquidity agreement also included, at December 31, 2021, the amount of 1,199 thousand euros.

The Company holds no treasury shares outside the framework of the liquidity agreement.

	2021			2020		
	Number of shares	Amount	Average price per share *(in euros)*	Number of shares	Amount	Average price per share *(in euros)*
Treasury shares at January 1 (historical cost)	**13,997**	**(343)**	**24.50**	**31,549**	**(698)**	**22.13**
Liquidity agreement						
Purchases (at purchase price)	295,169	(9,486)	32.14	242,587	(4,620)	19.05
Sales (at sale price)	(302,131)	9,914	32.81	(260,139)	5,018	19.29
Net cash flow[1]	(6,962)	428		(17,552)	398	
Gains (losses) on disposals		356			43	
Treasury shares at December 31 (historical cost)	**7,035**	**(271)**	**38.51**	**13,997**	**(343)**	**24.50**

(1) A negative figure corresponds to a net outflow reflecting purchases and sales of its own shares by the Company.

Note 17.3 Voting rights

Voting rights are proportional to the capital represented by stock held.

However, double voting rights, subject to certain conditions, existed until May 3, 2001.

The extraordinary meeting of shareholders of May 3, 2001 had decided that shares registered after May 15, 2001, together with shares purchased after that date, are not eligible for double voting rights (with the exception of special cases covered by the corresponding resolution submitted to the said extraordinary meeting). At his own initiative, Daniel Harari, now Chairman and Chief Executive Officer, had canceled at that time the double voting rights attached to the shares he held.

Following the recommendation of the Board of Directors, the extraordinary shareholders' meeting on September 26, 2014 maintained the principle of one share, one vote following the entry into force of the French March 29, 2014 Act (Law no. 2014-384, the "Florange Act"), reversing the principle that held until now, by providing that shares of listed companies registered for at least two years in the name of the same shareholder will henceforward enjoy double voting rights, and amended the Company bylaws in consequence.

As a result, at December 31, 2021, 37,518,152 shares qualified for normal voting rights, and only 224,807 (i.e. 0.6% of the share capital) for double voting rights. Moreover, no other shares could potentially qualify for double voting rights at some future date.

At December 31, 2021, the theoretical total number of voting rights attached to the Company's shares was 37,969,766. This number has been reduced to 37,960,731 due to the fact that no voting rights are attached to treasury shares (under the liquidity agreement).

Note 17.4 Statutory thresholds

Other than the legal notification requirements for crossing the thresholds established by French law, there is no special statutory obligation.

Note 17.5 Stock option plans

At December 31, 2021, 284 employees were the beneficiaries of 1,036,118 options and 7 former employees still held 66,352 options; altogether, 291 persons were beneficiaries of options (respectively 295, 2 and 297 at December 31, 2020).

At that date, the maximum number of shares comprising the share capital, including potential new shares liable to be issued via the exercise of existing rights qualifying for subscription to new shares was 38,845,429, made up as follows:

- share capital: 37,742,959 shares;
- stock options: 1,102,470 shares.

Each option entitles the holder to purchase one new share with a par value of €1.00 at the exercise price set by the Board of Directors on the grant date. If all of the options outstanding were exercised—regardless of whether the beneficiary's options are vested or not yet vested—and regardless of their exercise price relative to their market price at December 31, 2021, the share capital would increase by €1,102,470, together with a total issue premium of €21,496,215.

None of the parent company's subsidiaries have set up a stock option or share purchase plan.

Annual option plans are granted by the Board of Directors at least twenty trading days after the dividend approved by the annual Shareholders' Meeting is made payable, or thirty to forty-five calendar dates after the Meeting if no dividend is declared, i.e. around June 10.

The share exercise price is set on the date of granting of the options, at a price in no circumstances less than the average opening price of the share listed for the twenty trading sessions prior to the date of granting of options by the Board of Directors.

IFRS 2 requires companies to expense the value of the benefit granted to the beneficiaries of stock options.

Fair value of the new stock options granted in 2021 and 2020 was measured at grant date by means of the Black & Scholes method, using the following assumptions:

	2021	2020
Exercise price *(in euros)*	33.50	18.00
Share price on the date of allocation *(in euros)*	33.45	17.88
Risk-free interest rate	-0.34%	-0.31%
Dividend payout rate	0.85%	2.67%
Volatility	33.00%	31.70%
Duration of options	4 years	4 years
Fair value of one option *(in euros)*	7.78	3.27

Volatility is calculated on the basis of the observed historical volatility of the Company's share price over a time frame corresponding to the vesting period. This calculation ignores peaks resulting from exceptional events.

For part of the 2020 plan, the new granting, made as a counterpart to the renunciation by beneficiaries of the options granted in 2017, 2018 and/or 2019 still vesting, was treated according to the provisions of IFRS 2.28c (cancellation / granting of new instruments as replacement). This included the calculation of an incremental fair value for the new options, depending on the year during which the replaced options were granted, as follows:

	2017	2018	2019
Incremental fair value of one option *(in euros)*	3.22	2.11	1.64

Total fair value of the options granted on June 8, 2021 amounts to 1,622 thousand euros. It was reduced to 1,586 thousand euros following the cancellation of options after the calculation of the actual performance of 2021 for each beneficiary and the departure of seven beneficiaries in 2021.

An expense of 1,119 thousand euros was recognized in the 2021 financial statements, including 237 thousand euros in respect of the grants made in 2021, and 882 thousand euros in respect of options granted previously. Charges for the year are recognized under personnel expenses.

Plans in force at December 31, 2021 will impact the years 2022, 2023 and 2024 alone in the estimated amounts of 1,106, 857 and 421 thousand euros respectively.

The Group paid a 232 thousand euros employer's contribution based on the fair value of the options granted in 2021, fully expensed in personnel costs for 2021.

Note 17.5.1 Stock options outstanding: options granted, exercised and canceled during the period

	2021		2020	
	Number of stock options	Average exercise price *(in euros)*	Number of stock options	Average exercise price *(in euros)*
Stock options outstanding at January 1	**1,187,679**	**16.61**	**1,615,683**	**17.84**
Stock options granted during the year	208,441	33.50	837,236	18.00
Stock options exercised during the year	(231,308)	13.09	(412,551)	9.69
Stock options expired/canceled during the year	(62,342)	17.39	(852,689)	23.65
Stock options outstanding at December 31	**1,102,470**	**20.50**	**1,187,679**	**16.61**
- of which fully vested	199,561	15.88	379,715	13.43
- for which exercise rights remain to be acquired	902,909	21.52	807,964	18.11

For the plan granted since 2016, the right to exercise these options vests on a single occasion at the end of the four-year period starting on January 1 of the year of granting and ending on December 31 of the fourth year.

For the plans granted before January 1, 2016 and still in force at December 31, 2021, all of the options have vested and thus are exercisable.

Note 17.5.2 Breakdown of stock options outstanding at December 31, 2021, by category of beneficiaries

	2021				
	Number of beneficiaries	Number of stock options	%	Of which fully vested	Of which exercise rights remain to be acquired
Executive Committee[1]	15	389,167	35%	55,840	333,327
Group management	19	147,332	13%	20,203	127,129
Other employees	250	499,619	45%	57,166	442,453
Persons having left the company and still holding unexercised options	7	66,352	6%	66,352	-
Total	**291**	**1,102,470**	**100%**	**199,561**	**902,909**

(1) The sole beneficiaries are the members of the Executive Committee, excluding Daniel Harari, Chairman and Chief Executive Officer, who does not hold any option.

Note 17.5.3 Breakdown of stock options at December 31, 2021, by expiration date and exercise price

Grant date	Expiration date	Number of stock options	Exercise price *(in euros)*
June 16, 2014	June 16, 2022	13,436	8.50
June 12, 2015	June 12, 2023	22,508	13.75
June 9, 2016	June 9, 2024	90,652	14.50
June 8, 2017	June 8, 2025	2,308	28.25
June 12, 2018	June 12, 2026	15,752	22.25
June 12, 2019	June 12, 2027	9,799	22.50
June 9, 2020	June 9, 2028	744,137	18.00
June 8, 2021	June 8, 2029	203,878	33.50
Total		**1,102,470**	**20.50**

The 66,352 options held by people having left the Group and still holding unexercised options, are broken down by expiration date as follows: 11,447 options will expire in 2022, 5,765 options in 2023 and 49,140 options in 2024.

Note 17.5.4 Breakdown of stock options for which exercise rights remain to be acquired after December 31, 2021 by the beneficiaries

Year of vesting	Number of stock options
2022	4,034
2023	694,997
2024	203,878
Total	**902,909**

Note 17.5.5 Absence of stock option plans for the company officer

No stock option was granted to Daniel Harari, Chairman and Chief Executive Officer, who owns more than 10% of the capital since 2000 and has therefore been prohibited since this date by French law from being granted further stock option, and holds none.

Note 17.5.6 Stock options granted in 2021

The Board of Directors, meeting on June 8, 2021, granted, in respect of the 2021 stock option plan, a maximum of 208,441 options to 190 beneficiaries, at an exercise price of €33.50 per share, as follows:

- a maximum number of 123,725 options to 36 beneficiaries, for which the right to exercise the options is 50%-dependent on the presence on December 31, 2024 and 50%-dependent on 2021 performance and the presence on December 31, 2024;
- 84,716 options to 154 beneficiaries, for which the right to exercise the options is dependent on the presence on December 31, 2024.

The definitive number of options at December 31, 2021 is then calculated with reference to the percentage fulfilment of targets set for the beneficiaries for 2021. It also takes account of departures between the date of grant and the end of the year.

At the date of this report, the calculations of actual performance in 2021, based on the Group's consolidated financial statements, have been finalized for all the beneficiaries. In light of this performance, 1,783 options have thus been cancelled, due to performance objectives not being met.

Moreover, 2,780 options have ceased to be valid mainly due to the departure of seven beneficiaries in 2021.

As a result, the total number of options at December 31, 2021 initially granted (208,441 options to 190 beneficiaries) has been reduced to 203,878 and the number of beneficiaries to 183.

The ten Group employees to whom the largest number of options was granted in the course of fiscal 2021 were granted a total of 78,484 options.

All of the options granted concerned Group employees. The only company officer (*dirigeant mandataire social*), Daniel Harari, has held no stock options since 2000.

The options are valid for a period of eight years from the date of granting.

The right to exercise the options vests at the end of the period ended December 31, 2024 (the beneficiary being required to retain links with the Company or with one of its affiliates in the form of an employment contract or as a company officer at this date). In the event of the departure of a beneficiary before this date, all options that were granted to the beneficiary cease to be valid.

By way of exception, the right to exercise options shall be maintained in the event of the death of the beneficiary, or retirement at the statutory pensionable age in the beneficiary's country. Provided the death or retirement occurs between January 1 of the year following the grant and the end of the four-year vesting period (that is, for Plans 15j, 15k, and 15l, between January 1, 2022 and December 31, 2024) the right to exercise options shall be maintained in full.

Moreover, 57,779 options granted prior to 2021 have ceased to be valid due to the departure of the beneficiaries or because they have not been exercised.

Note 17.5.7 Stock options exercised in 2021

231,308 options pertaining to the different option plans in force at December 31, 2020 were exercised in 2021.

	2021	
Grant date	Number of stock options exercised	Exercise price *(in euros)*
June 13, 2013	24,608	6.25
June 16, 2014	39,970	8.50
June 12, 2015	51,958	13.75
June 9, 2016	103,411	14.50
June 8, 2017	11,361	28.25
Total	**231,308**	**13.09**

NOTE 18 Currency translation adjustments

Analysis of changes recorded in 2021 and 2020:

	2021	2020
Cumulative translation adjustments at January 1	**(11,293)**	**(9,481)**
Differences on translation of subsidiaries' income statements	246	(140)
Adjustments required to maintain subsidiaries' retained earning at historical exchange rate	9,125	(1,753)
Foreign exchange impact on a Group internal long-term loan	12,560	-
Other movements	1,494	80
Cumulative translation adjustments at December 31	**12,132**	**(11,293)**

The acquisition of Gerber on June 1, 2021, for which a very significant portion of the net assets was US dollar-denominated and translated at the acquisition date rate (that is $1.22/€1), accounts for the strong variance of translation adjustments between December 31, 2020 and 2021 (when the closing rate was $1.13/€1).

NOTE 19 Retirement benefit obligations

Retirement benefit obligations correspond to lump-sum amounts payable under defined benefit plans. These lump-sum amounts are generally paid at the time of retirement, but they may also be paid upon resignation or dismissal, depending on local legislation. The company officer (*dirigeant mandataire social*) is not the beneficiary of any defined benefit retirement plan.

These obligations apply mainly in France, in Italy and Japan, as detailed below:

2020	France	Italy	Japan	Others	Total
Retirement benefits at January 1, 2020	**8,867**	**1,119**	**932**	**189**	**11,107**
Expense/(income) of the year	600	53	70	53	776
Benefits paid	(84)	(24)	-	(7)	(116)
Contributions paid	-	-	-	(17)	(17)
Actuarial losses (gains)	278	49	20	(22)	324
Exchange rate differences	-	-	(37)	(41)	(78)
Retirement benefits at December 31, 2020	**9,661**	**1,196**	**985**	**154**	**11,995**

2021	France	Italy	Japan	Others	Total
Retirement benefits at December 31, 2020	**9,661**	**1,196**	**985**	**154**	**11,995**
Implementation of IFRS IC decision relative to IAS 19[(1)]	(904)	-	-	-	(904)
Retirement benefits at January 1, 2021	**8,757**	**1,196**	**985**	**154**	**11,091**
Expense/(income) of the year	556	62	71	115	804
Change in scope of consolidation[(2)]	323	308	-	311	942
Benefits paid	(346)	(32)	(82)	(40)	(500)
Contributions paid	-	-	-	(10)	(10)
Actuarial losses (gains)	(896)	(21)	27	(22)	(912)
Exchange rate differences	-	-	(29)	(38)	(67)
Retirement benefits at December 31, 2021	**8,394**	**1,513**	**972**	**470**	**11,348**

(1) Implementation, on January 1, 2021, of IFRS IC decision relative to IAS 19, see note 2.1.

(2) Integration of Gerber, Neteven and Gemini in 2021, see note 2.30.

The Group has deemed the cumulated impacts of this implementation on January 1, 2021 to be not material (see note 2.1).

Breakdown of net annual charge:

2020	France	Italy	Japan	Others	Total
Service cost provided in the year	537	49	68	32	686
Past service cost	-	-	-	-	-
Net interest cost	63	4	2	21	89
Expense/(income) of the year	**600**	**53**	**70**	**53**	**776**

2021	France	Italy	Japan	Others	Total
Service cost provided in the year	525	61	69	61	716
Past service cost	-	-	-	19	19
Net interest cost	31	1	2	35	69
Expense/(income) of the year	**556**	**62**	**71**	**115**	**804**

Main actuarial assumptions used in 2021:

	France	Italy	Japan
Discount rate	0.95%	0.29%	0.20%
Average rate of salary increase, including inflation	2.88%	2.40%	1.30%
Personnel turnover rate	5.50%/10.07%	3.00%	13.40%

The discount rate used is determined by reference to the yield the date of measurement on investment-grade corporate bonds with a maturity corresponding to the duration of the obligation. For the Eurozone, the discount rate used is determined by reference to the iBoxx rates, made up from corporate bonds rated AA or higher; the same applies to Japan.

According to estimates made by the Group, a change of plus or minus 0.25% of the discount rate would result in a change in actuarial liabilities of the opposite sign by approximately 2.2%. Moreover, a change of plus or minus 0.25% of the rate of salary increase would result in a change in actuarial liabilities of the same sign by approximately 2.1%.

The personnel turnover rate was calculated via a table based on age group. For France, the personnel turnover rate for employees under 50 years of age was 5.50% for non-managerial grade personnel, and 10.07% for managerial grade personnel. It was 0% over 50 years of age.

NOTE 20 Lease liabilities

Statement of changes in lease liabilities

2020	Long term lease liabilities	Short term lease liabilities	Total
Book value at January 1, 2020	**13,407**	**5,675**	**19,082**
New contracts and renewals	2,547	1,402	3,949
Reimbursement	-	(5,844)	(5,844)
Reclassificaiton	(4,952)	4,952	-
Others	(322)	(617)	(939)
Exchange rate differences	(246)	(157)	(403)
Book value at December 31, 2020	**10,434**	**5,411**	**15,845**

2021	Long term lease liabilities	Short term lease liabilities	Total
Book value at January 1, 2021	**10,434**	**5,411**	**15,845**
New contracts and renewals	2,016	1,702	3,718
Change in scope of consolidation[1]	18,227	3,801	22,028
Reimbursement	-	(8,649)	(8,649)
Reclassificaiton	(6,093)	6,093	-
Others	(5)	(171)	(175)
Exchange rate differences	1,351	312	1,663
Book value at December 31, 2021	**25,930**	**8,500**	**34,430**

(1) Integration of Gerber, Neteven and Gemini in 2021, see note 2.30.

Maturity schedule of lease liabilities at December 31, 2021

	Until 2022	Between 2023 and 2027	Beyond 2027	Total
Lease liabilities	8,500	20,245	5,685	**34,430**

The number of contracts entering the low-value or short-term scope exception of IFRS 16 is very limited for the Group. As a consequence, the information relating to these contracts is shown together with the other Group commitments in note 27.

Moreover, the Group is not concerned by future cash-outs that would not be taken into account when evaluating the lease liability (such as variable leases, extension options not considered in the duration of the lease, or leasing agreements that are not effective yet).

NOTE 21 Commitment to purchase minorities' shares

In 2019, as part of the acquisition of 70% of the capital and voting rights of the Belgian company Retviews SA and its Romanian subsidiary Retviews Bucharest SRL, the Group had committed to acquiring the remaining capital and voting rights in three installments in July 2020, July 2021 and July 2022 for the amounts of about 0.9 times 2020 revenues, 0.7 times 2021 revenues and 0.5 times 2022 revenues, respectively. The liability relating to the commitment to purchasing minorities' shares was then estimated to a total 6,500 thousand euros.

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 2,464 thousand euros, classified as current liabilities.

In 2021, with the acquisitions of 80% of Neteven and 60% of Gemini (see note 2.30), the Group has also committed to buying the remaining capital and voting rights in 2025 for Neteven, and in two installments for Gemini (2024 and 2026). A liability relating to these commitment to purchasing minorities' shares was then estimated to 2,500 thousand euros for Neteven and 7,000 thousand euros for Gemini.

The following table shows the evolution of these liabilities in the Group's statement of financial position, following the acquisitions of Neteven and Gemini, and the additional share capital and voting rights purchases for Retviews as planned:

	2021	2020
Commitments to purchasing minorities' shares at January 1	**4,497**	**6,500**
Purchase of 10% of Retviews (July payments)	(1,196)	(878)
Purchase of 10% of Retviews (January payments)	(167)	-
Revaluation of the remaining commitment for Retviews	(670)	(1,124)
Commitment to purchasing minorities' shares of Neteven	2,500	-
Commitment to purchasing minorities' shares of Gemini	7,000	-
Commitments to purchasing minorities' shares at December 31	**11,964**	**4,497**
of which, Retviews - current portion	2,464	2,332
of which, Retviews - non-current portion	-	2,165
of which, Neteven - non-current portion	2,500	-
of which, Gemini - non-current portion	7,000	-

NOTE 22 Borrowings and financial debts

Note 22.1 Net cash / net debt

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

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.

The major part of cash is invested in interest-bearing sight accounts and time deposits.

Cash equivalents solely consist in a term deposit with a one-month maturity and a blocked account with a 32-day maturity.

Note 22.2 Borrowings by category and by maturity

The loan taken out by the Group on June 1, 2021 is with a five-year maturity, payable by four yearly instalments of 15% and 40% in fine. It bears interest at the 3-month Euribor rate (with a 0% floor), to which a margin is added, depending on a leverage ratio and set at 85 base point for the first year.

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

At December 31, 2021, the maturity of the loan was as follows:

	2021	2020
Short term – less than one year	21,102	-
Long term – more than one year, and less than five years	118,284	-
Total	**139,386**	**-**

In 2021, the global effective interest rate, after inclusion of the costs related to the set-up of the loan, was 0.96%. In the theoretical case where 3-month Euribor would stay identical to that of December 31, 2021 (negative, thus floored to 0%), the global effective interest rate would be 0.96% in 2022.

Interest paid

The Group paid out 605 thousand euros in 2021 as interest for this loan.

Covenant

For the entire duration of the loan, the Company committed to complying with a leverage ratio covenant regarding the ratio of net financial debt to EBITDA on June 30 and December 31 of each year. The Group was in compliance with the covenant on December 31, 2021.

Note 22.3 Financial instruments: interest rate hedges

The Group's exposure to interest rates variations is mainly a cash-flow risk related to the variable-rate loan.

Indeed, the Group has not hedged, at December 31, 2021, by any instrument, the 140-million loan taken out on June 1, 2021.

The Group is aiming at reducing it financing cost, by limiting the impact of interest rates variation in the income statement: thus, these rates are closely monitored, and the Group will use, if necessary, financial instruments of the rates market (interest rates swaps, options, ...).

Sensitivity analysis

All of the financial debt being made up by the variable rate loan, the sensitivity analysis for rates variations is as follows:

	2021			2020		
	Accounting value at December 31	Annual average	Additionnal financial fees if interest rates rise by 0.50%	Accounting value at December 31	Annual average	Additionnal financial fees if interest rates rise by 0.50%
Bank loan at variable rate	140,000	81,667	408	-	-	-
Total	**140,000**	**81,667**	**408**	**0**	**0**	**0**

Note 22.4 Financial instruments: currency hedges

In 2021 and 2020, the Group mainly used forward sales and purchases of currencies to hedge part of its foreign currency balance sheet positions at the end of each month, for the Lectra legacy entities.

Forward transactions entered into by the Company to hedge significant balance sheet currency positions at December 31, 2021 and 2020 are analyzed below:

	2021				2020			
	In foreign currency [1] *(in thousands)*	Value *(in thousands of euros)* [2]	Difference in value [3]	Expiration date	In foreign currency [1] *(in thousands)*	Value *(in thousands of euros)* [2]	Difference in value [3]	Expiration date
USD	(9,061)	(8,000)	4	January 6, 2022	1,938	1,579	15	January 7, 2021
CAD	748	520	(5)	January 6, 2022	1,297	829	(4)	January 7, 2021
CNH	62,001	8,608	(26)	January 6, 2022	31,957	4,008	(13)	January 7, 2021
GBP	(1,671)	(1,989)	5	January 6, 2022	(1,538)	(1,711)	4	January 7, 2021
JPY	(274,828)	(2,108)	(6)	January 6, 2022	(214,933)	(1,699)	4	January 7, 2021
Other currencies	na	(2,518)	(18)	January 6 and 7, 2022	na	(1,261)	19	January 7, 2021
Total		**(5,487)**	**(46)**			**1,745**	**25**	

(1) For each currency, net balance of forward sales and (purchases) against euros.

(2) Equivalent value of forward contracts is calculated by dividing the amounts in local currencies hedged by the closing rate.

(3) Difference in value reflects the difference between historical equivalent value and equivalent value at closing price of the forward contracts.

Fair value of forward currency contracts at December 31, 2021 is calculated on the basis of exchange rates published by the European Central Bank (ECB) or, in the absence of quotation by the ECB, on the basis of rates published by Natixis. This valuation is comparable to the procedure used for information purposes by the banks with which these forward currency contracts were entered into.

The tables below, showing foreign currency exposure, lists the most significant parent company's foreign currency assets and liabilities, together with the net value of forward transactions unexpired at December 31, 2021 and December 31, 2020:

	2020					
(in thousands of currencies)	USD	BRL	CAD	GBP	HKD	JPY
Carrying position to be hedged:						
Trade account receivables	9,685	10,435	1,297	1	1,797	(10,082)
Cash	445	-	-	-	-	-
Trade payables	(7,821)	(12,258)	-	(1,530)	-	(204,785)
Total	2,309	(1,823)	1,297	(1,529)	1,797	(214,867)
Net nominal of hedges	(1,938)	-	(1,297)	1,538	(2,057)	214,933
Net residual position	371	(1,823)	-	10	(260)	66
Equivalent value in euros at closing rate	303	(286)	-	11	(27)	1
Analysis of sensitivity to currency fluctuations						
Closing rate	1.23	6.37	1.56	0.90	9.51	126.49
5% currency depreciation relative to closing rate						
Closing rates parity depreciated by 5%	1.29	6.69	1.64	0.94	9.99	132.81
Foreign exchange impact in P&L	(14)	14	0	(1)	1	0
5% currency appreciation relative to closing rate						
Closing rates parity appreciated by 5%	1.17	6.05	1.49	0.85	9.04	120.17
Foreign exchange impact in P&L	16	(15)	0	1	(1)	0

	2021					
(in thousands of currencies)	USD	BRL	CAD	GBP	HKD	JPY
Carrying position to be hedged:						
Trade account receivables	13,883	9,477	801	267	731	(36,364)
Cash	910		-		-	-
Trade payables	(22,099)	(12,516)	-	(1,912)	-	(247,995)
Total	(7,306)	(3,039)	801	(1,645)	731	(284,359)
Net nominal of hedges	9,061	-	(748)	1,671	(1,371)	274,828
Net residual position	1,755	(3,039)	53	26	(641)	(9,531)
Equivalent value in euros at closing rate	1,549	(482)	37	31	(73)	(73)
Analysis of sensitivity to currency fluctuations						
Closing rate	1.13	6.31	1.44	0.84	8.83	130.38
5% currency depreciation relative to closing rate						
Closing rates parity depreciated by 5%	1.19	6.63	1.51	0.88	9.27	136.90
Foreign exchange impact in P&L	(74)	23	(2)	(1)	3	3
5% currency appreciation relative to closing rate						
Closing rates parity appreciated by 5%	1.08	5.99	1.37	0.80	8.39	123.86
Foreign exchange impact in P&L	82	(25)	2	2	(4)	(4)

NOTE 23 Trade and other payables

	2021	2020
Trade payables	46,132	22,221
Social liabilities	35,409	17,492
Tax liabilities	5,276	3,522
Down-payments from customers	18,054	9,706
Other current payables	5,981	715
Total	**110,852**	**53,657**

The strong increase in trade and other payables is partly due to the integration of Gerber on June 1, 2021, which accounted for a 32,851 thousand euros increase on that date. Moreover, social liabilities greatly increased between December 31, 2020 and 2021 because of the variable part of salaries in the Group, which rose sharply over the period.

NOTE 24 Deferred revenues

	2021	2020
Deferred revenues on recurring contracts	72,971	53,441
Other deferred revenues[1]	4,851	3,248
Total	**77,822**	**56,690**

(1) Other deferred revenues mainly correspond to invoiced services, which were not completed at year end.

The counterpart of deferred revenues that has not yet been collected is recorded for the same amount (plus VAT and related taxes) in 'Trade accounts receivable' in the statement of financial position (see note 15).

For the Group, deferred revenues correspond to contract liabilities as defined by IFRS 15.

Bridge for main contract liabilities

	2021	2020
Contract liabilities at January 1	53,441	55,346
Revenue booked during the period	(129,903)	(99,337)
Invoicing during the period	136,536	99,225
Change in scope of consolidation[1]	10,747	-
Exchange rate differences	2,150	(1,793)
Contract liabilities at December 31	**72,971**	**53,441**

(1) Integration of Gerber, Neteven and Gemini in 2021, see note 2.30.

NOTE 25 Provisions for other liabilities and charges

2020	Provisions for employee-related claims	Provisions for tax litigations	Provisions for other risks & litigations	Provisions for warranty and technical risks	Total
Provisions at January 1, 2020	578	1,532	404	491	3,004
Additional provisions	560	105	67	832	1,563
Used amounts reversed	(77)	-	-	(836)	(913)
Unused amounts reversed	(4)	-	-	(144)	(148)
Exchange rate differences	-	(454)	(5)	-	(459)
Provisions at December 31, 2020	**1,056**	**1,182**	**465**	**342**	**3,046**

2021	Provisions for employee-related claims	Provisions for tax litigations	Provisions for other risks & litigations	Provisions for warranty and technical risks	Total
Provisions at January 1, 2021	1,056	1,182	465	342	3,046
Additional provisions	304	272	24	1,380	1,980
Change in scope of consolidation[1]	100	612	2,630	446	3,788
Used amounts reversed	(243)	-	(1,501)	(914)	(2,658)
Unused amounts reversed	(508)	-	(1,047)	-	(1,555)
Exchange rate differences	-	34	116	34	184
Provisions at December 31, 2021	**709**	**2,100**	**687**	**1,288**	**4,785**

(1) Integration of Gerber, Neteven and Gemini in 2021, see note 2.30.

Contingent liabilities

The Group had no knowledge, at the date of Board of Directors' meeting to draw up the accounts, of any contingent liability at December 31, 2021.

To the Group's knowledge, there were no proceedings pending at December 31, 2021, other than those for which provision has been made, that could have a material negative impact on the financial condition of the Group.

Environmental risks

Given the nature of its business the Group is not exposed to any environmental risks.

NOTE 26 Additional disclosure concerning financial instruments

The Group has designated the following main categories of financial assets and liabilities:

	IFRS 9 classification				
At December 31, 2020	Carried at amortized cost	Carried at fair value through profit or loss	Carried at fair value through OCI	Carrying amount	Fair value
Non-consolidated shares		■		930	930
Loans, deposits and guarantees	■			2,075	2,075
Trades account receivables	■			43,009	43,009
Other financial assets	■			564	564
Derivatives not designated as hedges		■		-	-
Cash and cash equivalents		■		134,626	134,626
Total financial assets				**181,203**	**181,203**
Interest-bearing bank loans	■			-	-
Derivatives not designated as hedges		■		25	25
Trade payables and other current liabilities	■			50,134	50,134
Total financial liabilities				**50,159**	**50,159**

	IFRS 9 classification				
At December 31, 2021	Carried at amortized cost	Carried at fair value through profit or loss	Carried at fair value through OCI	Carrying amount	Fair value
Non-consolidated shares		■		1,024	1,024
Loans, deposits and guarantees	■			4,677	4,677
Trades account receivables	■			82,948	82,948
Other financial assets	■			586	586
Derivatives not designated as hedges		■		46	46
Cash and cash equivalents		■		130,586	130,586
Total financial assets				**219,894**	**219,894**
Interest-bearing bank loans	■			139,386	139,386
Derivatives not designated as hedges		■		-	-
Trade payables and other current liabilities	■			105,576	105,576
Total financial liabilities				**244,962**	**244,962**

Fair value of current loans and trade accounts receivable, trade payables and other current liabilities is identical to their book value, given their short-term nature. For loans and deposits included in other non-current financial assets, their fair value is deemed close to their book value, since the discounting effect is considered negligible.

NOTE 27 Additional disclosures

Commitments given

Since January 1, 2019, commitments given in respect to leasing agreements are accounted for under IFRS 16.

Thus, at December 31, 2021, the commitments relating to leasing agreements not entering the scope of IFRS 16, service contracts and other guarantees given are as follows:

	Payments due by period			
	Less than 1 year	Between 1 to 5 years	More than 5 years	Total
Contractual commitments[1]	5,344	3,959	-	**9,303**
Other guarantees: sureties[2]	1,712	66	2,120	**3,898**

(1) Mainly Group management software subscription contracts, miscellaneous services contracts and IT and office equipment rentals.

(2) This mainly concerns sureties given by banks on the Company's behalf or given by the Company to financial institutions against leases made by the latter to its subsidiaries.

Rentals booked as expenses that lie outside the criteria for application of IFRS 16 in 2021 amounted to 6,592 thousand euros.

Notes to the income statement

consolidated

By convention, a minus sign in the tables of notes to the income statement represents a charge for the year, and a plus sign an income or gain for the year. The impacts of the acquisition of Gerber in 2021, including pro forma information, are presented in note 2.30. As the 2021 acquisitions of Neteven and Gemini had a non-material impact on the Group's financial statements, there is no need for a restatement of the income statement.

NOTE 28 Revenues

In 2021, no single customer represented more than 4% of consolidated revenues, the ten largest customers combined accounted for less than 20% of revenues, and the 20 largest customers for less than 25%.

Note 28.1 Revenues by geographic region

In 2021, as in 2020, more than 45% of total revenues were generated in 5 countries: the United States (18%), China (11%), Mexico (9%), Italy (9%) and France (6%). These percentages were 13%, 8%, 8%, 11% and 7% respectively in 2020 (on a different scope, which did not include the 2021 acquistions).

	2021		2020		Changes
	Actual	%	Actual	%	2021/2020
Europe, of which:	132,771	34%	100,770	43%	+32%
- France	23,051	6%	16,512	7%	+40%
Americas	124,469	32%	63,455	27%	+96%
Asia-Pacific	106,255	27%	55,088	23%	+93%
Other countries	24,088	6%	16,870	7%	+43%
Total	**387,583**	**100%**	**236,182**	**100%**	**+64%**
€ / $ average parity	*1.18*		*1.14*		

Note 28.2 Revenues by type of business

	2021		2020		Changes
	Actual	%	Actual	%	2021/2020
Revenues from perpetual software licenses, equipment and accompanying software, and non-recurring services, of which:	**152,850**	39%	**77,681**	33%	+97%
- Perpetual software licenses	12,073	3%	8,418	4%	+43%
- Equipment and accompanying software	124,189	32%	57,742	24%	+115%
- Training and consulting services	12,866	3%	9,927	4%	+30%
- Miscellaneous	3,722	1%	1,594	1%	+133%
Recurring revenues, of which:	**234,734**	61%	**158,501**	67%	+48%
- Software subscriptions	10,494	3%	3,669	2%	+186%
- Software maintenance contracts	44,516	11%	37,463	16%	+19%
- Equipment and accompanying software maintenance contracts	74,893	19%	58,205	25%	+29%
- Consumables and parts	104,830	27%	59,164	25%	+77%
Total	**387,583**	**100%**	**236,182**	**100%**	**+64%**
€ / $ average parity	*1.18*		*1.14*		

Note 28.3 Breakdown of revenues by currency

	2021	2020
US dollar	42%	32%
Euro	35%	42%
Chinese yuan	9%	8%
British pound	2%	2%
Japanese yen	1%	2%
Brazilian real	1%	2%
Other currencies[1]	10%	12%
Total	**100%**	**100%**

(1) No other single currency represents more than 2% of total revenues.

Note 28.4 Remaining performance obligations

In its Management Discussion, the Group discloses an 'order backlog for new systems' corresponding to orders for new perpetual software licenses, equipment and accompanying software and training and consulting services. This entire 'order backlog' is due to be delivered within 12 months.

Moreover, the contract liabilities of the Group, corresponding to its deferred revenues, will also be reversed and booked as revenue in the 12 months following the closing date.

Thus, and according to IFRS 15.121, the Group does not hold any significant remaining performance obligation which it would have to disclose.

NOTE 29 Cost of goods sold and gross profit

	2021	2020
Revenues	387,583	236,182
Cost of goods sold, of which:	(125,008)	(59,696)
Purchases and freight-in costs	(128,168)	(51,043)
Inventory movement, net	12,120	(791)
Industrial added value	(8,961)	(7,862)
Gross profit	**262,575**	**176,486**
(in % of revenues)	67.7%	74.7%

Industrial added value includes personnel costs that are included in production costs, freight-out costs on equipment sold, and a share of depreciation of the manufacturing facilities at the Bordeaux-Cestas site.

Personnel costs and other operating expenses incurred in the performance of service activities are not included in cost of goods sold but are recognized in 'Selling, general and administrative expenses'.

NOTE 30 Research and development

	2021	2020
Fixed personnel costs	(31,550)	(26,025)
Variable personnel costs	(2,834)	(234)
Other operating expenses	(6,792)	(3,874)
Depreciation expenses	(1,539)	(1,389)
Total before research tax credit and grants	(42,715)	(31,522)
(in % of revenues)	11.0%	13.3%
Research tax credit and government grants	8,733	8,833
Total	**(33,981)**	**(22,689)**

NOTE 31 Selling, general and administrative expenses

	2021	2020
Fixed personnel costs	(106,060)	(88,834)
Variable personnel costs	(21,486)	(5,794)
Other operating expenses	(38,184)	(23,122)
Depreciation & amortization (tangible & intangible assets)	(10,234)	(3,454)
Depreciation of right-of-use assets	(8,072)	(6,196)
Net provisions	(176)	(757)
Total [(1)]	**(184,212)**	**(128,157)**
(in % of revenues)	47.5%	54.3%

(1) Selling, general and administrative expenses' do not include the expenses comprised in 'Industrial added value' (see note 29), which amounted to 8,961 thousand euros in 2021 and 7,862 thousand euros in 2020.

Fees paid to Group auditors and companies in their networks

In 2021, other operating expenses comprised 1,659 thousand euros in respect of the audit of all Group companies, of which 824 thousand euros for PwC, 648 thousand euros for KPMG and 187 thousand euros for other audit firms (of which 122 thousand euros for Gerber entities), excluding non-audit services. The corresponding amount in 2020 was 828 thousand euros.

Fees paid by the Group in 2021 to the Statutory Auditors in respect of the audit and non-audit services performed by their networks to consolidated entities were 1,601 thousand euros, of which 942 thousand euros for PwC and 658 thousand euros for KPMG:

	PwC				KPMG			
	2021		2020		2021		2020	
	Amount	%	Amount	%	Amount	%	Amount	%
Audit								
Statutory audits, certification and examination of individuals and consolidated financial statements								
- Issuer (Lectra SA)	271	29%	153	29%	246	37%	147	54%
- Fully-consolidated subsidiaries	552	59%	321	62%	402	61%	113	42%
Non-audit services								
- Issuer (Lectra SA)[(1)]	37	4%	18	3%	-	0%	-	0%
- Fully-consolidated subsidiaries	-	0%	-	0%	-	0%	-	0%
Sub-total	860	91%	493	94%	648	98%	260	96%
Other services to consolidated entities								
- Legal, tax and social reviews[(2)]	82	9%	29%	6%	10	2%	11	4%
Sub-total	82	9%	29	6%	10	2%	11	4%
Total	**942**	**100%**	**522**	**100%**	**658**	**100%**	**271**	**100%**

(1) These services relate to the verification, by one of the statutory auditors, designated as independent third-party, of social, environmental and societal information.

(2) These missions mostly relate to tax compliance services provided by members of the network to foreign subsidiaries of the Company.

NOTE 32 Staff

Note 32.1 Total personnel expenses

The table below combines all fixed and variable personnel costs for the Group.

	2021	2020
Research and development	(34,384)	(26,259)
Selling, general and administrative	(127,546)	(94,628)
Manufacturing, logistics and purchasing[1]	(6,757)	(5,837)
Total	**(168,686)**	**(126,724)**

(1) Manufacturing, logistics and purchasing' personnel expenses are included in the cost of goods sold, in 'Industrial added value' (see note 29).

Note 32.2 Active headcount at December 31

Since 2019, the Group presents the active headcount.

	2021	2020
Parent company[1]	851	901
Subsidiaries[2], of which:	1,573	834
Europe	613	373
Americas	488	173
Asia-Pacific	413	237
Other countries	59	51
Total	**2,424**	**1,735**

(1) In 2021 as in 2020, expatriates are attached to the economic entities for which they work.

(2) Refers to all consolidated and non-consolidated Group companies.

Analysis of active headcount by function

	2021	2020
Marketing, Sales	469	368
Services (Business Consultants and Solutions Experts, Call Centers, Technical Maintenance)	810	528
Research and Development	478	374
Purchasing, Production, Logistics	243	144
Administration, Finance, Human Resources, Information Systems	424	321
Total	**2,424**	**1,735**

Note 32.3 Contributions to pension plans

Contributions to compulsory or contractual pension plans are expensed in the year in which they are paid.

In 2021, Group companies subject to defined-contribution pension plans booked a sum of 7,147 thousand euros under personnel costs in respect of their contributions to these pension or retirement funds. The main subsidiary concerned, in addition to the parent company, was Lectra Italy.

Note 32.4 Employee profit-sharing and incentive plan

Profit-sharing plan

An amendment to the October 1984 employee profit-sharing plan (participation), applicable solely to parent company employees, was signed in October 2000. Under this plan, a portion of the special employee profit-sharing reserve set aside annually may be invested in equity securities, in a corporate savings plan. Consequently, beneficiaries may choose between five types of funds, one consisting exclusively of Lectra shares, at their discretion.

In 2022, no profit-sharing payment will be made, in respect of fiscal year 2021 (no profit-sharing payment made in 2021, in respect of fiscal year 2020).

Incentive plan

A collective employee incentive plan (*intéressement*), applicable solely to parent company employees, was signed for the first time in September 1984 and renewed every year since that date. The most recent incentive plan signed in June 2020 covers the period 2020–2022.

The incentive amount in respect of fiscal 2021 equals 5,064 thousand euros (462 thousand euros in respect of 2020). For fiscal 2021, an interim payment of 1,612 thousand euros was made in November 2021, the balance outstanding to be paid in the first half of 2022.

Note 32.5 Compensation of Group management

Since January 1, 2019, the Group management team was consisting of one company officer: the Chairman and Chief Executive Officer; the Executive Vice President, the Chief Strategy Officer, the Chief Financial Officer, the Chief Digital Officer, the Chief Customer Success Officer, the President Asia-Pacific, the President Americas, the President Southern Europe & North Africa, the President Northern & Eastern Europe, Middle East and the Chief Marketing and Communications Officer.

Following the integration of Gerber on June 1, 2021, it was expanded to include some of the Gerber group management members and now counts 18 people at December 31, 2021.

Personnel expenses related to the Group management team, accounted for in 2021, amounted to 8,018 thousand euros (3,379 thousand euros in 2020) and broke down as follows:

	2021	2020
Fixed compensation	3,518	2,460
Variable compensation	2,832	297
Other short-term benefits	305	222
Post-employment benefits[1]	27	20
Other long-term benefits	-	-
Severance compensation	1,040	-
Granting of stock options[1]	296	380
Personnel expenses related to the Group management team	**8,018**	**3,379**

(1) The company officer (dirigeant mandataire social) is not granted any special arrangement or specific benefits concerning deferred compensation, severance compensation, or pension liabilities committing the Company to pay any form of indemnity or benefit in the event of termination of his functions, or at the time of his retirement, or more generally subsequent to the termination of his functions. He holds no stock options.

Note 32.6 Directors' fees

Conditional upon approval by the Shareholders' Meeting on April 29, 2022, 241 thousand euros in Directors' fees will be allocated to the members of the Board with respect to fiscal 2021 (210 thousand euros for fiscal 2020).

Compensation paid to the Directors still holding office and who are not company officers consists exclusively of Directors' fees.

NOTE 33 Depreciation and amortization charges

The table below combines all depreciation and amortization charges on tangible and intangible fixed assets and their allocation between income statement items:

	2021	2020
Research and development[1]	(1,539)	(1,389)
Selling, general and administrative	(4,230)	(3,454)
Manufacturing, logistics and purchasing[2]	(898)	(814)
Amortization of intangibles identified in business combinations	(6,004)	-
Depreciation of right-of-use assets	(8,072)	(6,196)
Total	**(20,743)**	**(11,853)**

(1) Amortization and depreciation expenses allocated to 'Research and development' pertain to the share of the intangible assets and property, plant and equipment used by these teams. R&D costs themselves are expensed in full in the year.

(2) 'Manufacturing, logistics and purchasing' depreciation and amortization charges are included in 'Industrial added value' (see note 29).

NOTE 34 Non-recurring elements

In 2020 and 2021, the Group recorded non-recurring elements in its income statement.

The non-recurring expenses correspond to fees and other costs relating to the acquisition of Gerber on June 1, 2021, for which some preliminary work had started in 2020. These costs also include severance expenses (directly related to the integration of Gerber), for a very limited number of people.

The non-recurring income in 2021 corresponds to an unused write-back of a provision for a litigation assumed with the acquisition of Gerber on June 1, 2021. This litigation was closed in January 2022.

NOTE 35 Financial income and expenses

	2021	2020
Financial income, of which:	551	94
Gains on sales of cash equivalents	31	14
Other interest income	520	80
Reversal of provisions for depreciation of investments and loans	-	-
Financial expenses, of which:	(2,064)	(541)
Bank charges	(908)	(336)
Interest expense on bank loans and financial debts	(777)	-
Interest on lease liabilities (IFRS 16)	(332)	(150)
Other financial expenses	(47)	(55)
Total	**(1,513)**	**(447)**

NOTE 36 Foreign exchange income

A foreign exchange translation loss of 774 thousand euros was recognized in 2021 (699 thousand euros in 2020).

At December 31, 2021, as at December 31, 2020, the Company held no currency options (see note 22.4).

NOTE 37 Shares used to compute earnings per share

At December 31, 2021 and 2020, the Company had not issued any dilutive instrument other than the stock options detailed in note 17.5. The 5 million Lectra shares issued on June 1, 2021 for the acquisition of Gerber have been included prorate temporis when determining the number of shares to use in the calculation of the earnings per share.

Basic earnings (Group share) per share	**2021**	2020
Net income, Group share (in thousands of euros)	28,255	17,529
Weighted average number of shares outstanding during the period[1]	35,557,620	32,256,568
Weighted average number of treasury shares held during the period	(18,641)	(28,574)
Weighted average number of shares used to compute basic earnings per share	35,538,978	32,227,995
Basic earnings per share *(in euros)*	**0.80**	**0.54**

(1) In 2021, 231,308 stock options were exercised, giving rise to the creation of 231,308 new shares. In 2020, 412,551 stock options were exercised, giving rise to the creation of 412,551 new shares (see note 17).

Diluted earnings (Group share) per share	**2021**	2020
Net income, Group share (in thousands of euros)	28,255	17,529
Weighted average number of shares outstanding during the period[1]	35,557,620	32,256,568
Weighted average number of treasury shares held during the period	(18,641)	(28,574)
Dilutive effect of stock options, under the share repurchase method[2]	488,955	262,558
Weighted average number of shares used to compute diluted earnings per share	36,027,933	32,490,553
Diluted earnings per share *(in euros)*	**0.78**	**0.54**

(1) In 2021, 231,308 stock options were exercised, giving rise to the creation of 231,308 new shares. In 2020, 412,551 stock options were exercised, giving rise to the creation of 412,551 new shares (see note 17).

(2) In 2021, due to an average share price of €32.76 during the period, the dilutive effect of stock options under the share repurchase method resulted in 488,955 theoretical additional shares (262,558 theoretical additional shares in 2020 due to an average share price of €19.05).

NOTE 38 Group exposure to foreign-exchange fluctuations

The Company's net operational exposure to foreign exchange fluctuations corresponds to the difference between revenues and total costs denominated in each of these currencies. This exposure mainly concerns the US dollar, which is the main currency in which business is transacted, along with the euro.

The overall currency variations between 2020 and 2021 decrease 2021 Group revenues by 1,437 thousand euros.

The US dollar (average parity versus the euro of $1.18/€1 in 2021, compared to $1.14/€1 in 2020) accounted for a decrease of 2,391 thousand euros in revenues in the 2021 figures at actual exchange rates, relative to the 2021 figures at 2020 exchange rates.

In 2021, 35% of the Group's consolidated revenues, 55% of its cost of sales, and 57% of its overhead expenses were denominated in euros. These percentages were respectively 42%, 24%, and 24% for the US dollar, as well as 9% (part of the revenues generated in China are denominated in US dollars or other currencies), 9% and 6% for the Chinese yuan. The other currencies each represented less than 3% of revenues, cost of sales and overhead costs.

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

The sensitivity of revenues and EBITDA before non-recurring items to a change in exchange rates was based on the December 31, 2021 exchange rates for the relevant currencies, in particular $1.13/€1. The sensitivity to a change in exchange rates takes past acquisitions into account.

In view of the estimated share of revenues and costs denominated in US dollars or in currencies correlated with the US dollar, a 5-cent fall in the euro against the US dollar (leading to an annual average exchange rate of $1.08/€1) would mechanically increase 2022 annual revenues by approximately 11 million euros and annual EBITDA before non-recurring items by 3.6 million euros. Conversely, a 5-cent appreciation of the euro against the US dollar (i.e., $1.18/€1) would mechanically reduce annual revenues and EBITDA before non-recurring items by the same amounts.

NOTE 39 Operating segments information

2021	Northern Europe[1]	Southern Europe[2]	Americas	Asia-Pacific	Corporate	Total
Revenues	63,619	89,417	129,763	104,785	-	387,583
EBITDA before non-recurring items	9,818	19,009	21,362	12,042	2,894	65,125

2020	Northern Europe[1]	Southern Europe[2]	Americas	Asia-Pacific	Corporate	Total
Revenues	51,240	63,531	63,455	57,957	-	236,182
EBITDA before non-recurring items	6,774	11,020	9,635	3,946	6,118	37,493

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

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

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

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

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

Notes to the statement of cash flows

consolidated

NOTE 40 Non-cash operating expenses

In 2021, as in 2020, 'Non-cash operating expenses' includes unrealized translation gains or losses on short-term balance sheet positions affecting the gain or loss on foreign exchange translation (see note 2.28 – Translation methods), additional financial provisions, the impact of measurement of stock options, reversal of the provision for impairment of investments in non-consolidated subsidiaries and interest due for the loan taken out by the Company.

In addition, it includes for 2020 the impacts of rent concessions obtained in relation to the health crisis for some of the Group's operating leases, and eligible to the IFRS 16 amendment (non-material amount for 2021).

NOTE 41 Changes in working capital requirement

In 2021, the main changes in the working capital requirement broke down as follows:

- +12,992 thousand euros corresponding to the increase in inventories, following the pickup in activity and an increase in safety stock to face the tensions in procurement;
- −4,537 thousand euros arising from the reimbursement of the outstanding balance of the 2017 research tax credit (see note 16) in Q3 2021;
- −1,959 thousand euros arising from the increase in trade accounts payable;
- −6,905 thousand euros arising from the increase in deposits received for customer orders;
- −10,405 thousand euros arising from the difference between the variable portion of salaries for the Group in respect of fiscal year 2020 paid mainly in 2021, and the one recognized in 2021 that will be paid in 2022;
- +830 thousand euros arising from the changes in other current assets and liabilities; taken individually, these changes are all immaterial.

The variation in trade accounts receivable shown in the consolidated statement of cash flows includes 'Deferred revenues' in the statement of financial position (which for the most part comprises the share of recurring contracts billed but not yet recognized in revenues) and was close to zero for 2021.

In 2020, the main changes in the working capital requirement broke down as follows:

- −12,204 thousand euros corresponding to the decrease in trade accounts receivable, following a decline in revenues from software licenses, equipment and non-recurring services;
- +1,082 thousand euros corresponding to the increase in inventories;
- −2,598 thousand euros arising from the reimbursement in Q3 2020 of the outstanding balance of the 2016 research tax credit;
- +3,568 thousand 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 paid in 2021;
- +361 thousand euros arising from the changes in other current assets and liabilities; taken individually, these changes are all immaterial.

NOTE 42 Variations of long-term and short-term borrowings

In 2021, the Group took out a 140-million bank loan, as described in note 22. This amount, netted off with related fees, was shown on the consolidated cash-flow statement for 2021.

Moreover, the Group paid out 605 thousand euros in 2021 as interest for this loan.

NOTE 43 Free cash flow

Free cash flow is equal to net cash provided by operating activities plus cash used in investing activities — excluding cash used for acquisitions of companies, net of cash acquired and repayment of lease liabilities recognized in accordance with IFRS 16.

	2021	2020
Net cash (used in)/provided by operating activities	54,509	36,030
Net cash (used in)/provided by investing activities, excluding cash used for acquisition of companies	(6,365)	(5,035)
Repayment of lease liabilities	(8,649)	(5,844)
Free cash flow	39,495	25,151
Non-recurring items included in free cash flow	(8,012)	-
Free cash flow before non-recurring items	47,507	25,151

In 2021, net cash provided by operating activities of 54,509 thousand euros (36,030 thousand euros in 2020) comprised a 9,984 thousand euros decrease in working capital requirement (decrease of 9,791 thousand euros in 2020) and an increase in other operating non-current assets of 5,917 thousand euros, corresponding to the part of the 2021 research tax credit, not paid and not deducted from the corporate income tax due by Lectra SA (increase of 7,776 thousand euros in 2020).

Details of changes in working capital requirement are provided in note 41 above.

Free cash flow was 39,495 thousand euros and included 8,012 thousand euros of non-recurring cash-outs, all of which related to the acquisition of Gerber; thus free-cash flow before non-recurring items amounted to 47,507 thousand euros. In 2020, free cash flow was 25,151 thousand euros and there were no non-recurring items.

The repayment of lease liabilities (according to IFRS 16) does not affect performance as monitored by the Group; thus it is deducted in the free cash flow analysis above.

6. Statutory Auditors' report on the consolidated financial statements

For the year ended December 31, 2021

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report includes information specifically required by European regulations or French law, such as information about the appointment of Statutory Auditors. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

LECTRA S.A.
16-18, rue Chalgrin
75 016 Paris, France

To the Shareholders,

Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying consolidated financial statements of Lectra S.A. for the year ended December 31, 2021.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group at December 31, 2021 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under these standards are further described in the "Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements" section of our report.

Independence

We conducted our audit engagement in compliance with the independence rules provided for in the French Commercial Code (*Code de commerce*) and the French Code of Ethics (*Code de déontologie*) for Statutory Auditors, for the period from January 1, 2021 to the date of our report, and, in particular, we did not provide any non-audit services prohibited by Article 5(1) of Regulation (EU) No. 537/2014.

Justification of assessments – Key audit matters

Due to the global crisis related to the COVID-19 pandemic, the financial statements of this period have been prepared and audited under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of the audits.

It is in this complex and evolving context that, in accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code relating to the justification of our assessments, we inform you of the key audit matters relating to the risks of material misstatement that, in our professional judgment, were the most significant in our audit of the consolidated financial statements, as well as how we addressed those risks.

These matters were addressed as part of our audit of the consolidated financial statements as a whole, and therefore contributed to the opinion we formed as expressed above. We do not provide a separate opinion on specific items of the consolidated financial statements.

Recognition of revenues from exported equipment
(Notes 2.20 and 28 to the consolidated financial statements)

Description of risk

The Group markets integrated technology solutions (automated cutting equipment and software) and related services, such as technical maintenance, remote support, training, consulting, and sales of consumables and parts.

In 2021, the Group's revenues amounted to €387.6 million. Most sales of automatic cutting equipment and related software are made outside France.

The terms and conditions for the transfer of the risks and benefits relating to these sales, described in Note 2.20 to the consolidated financial statements, vary according to destination and customer. Given that there are multiple conditions to be taken into account, there is a risk of error when determining the revenue recognition date, particularly around the reporting date.

Accordingly, we deemed the recognition of revenues from exported equipment around the reporting date to be a key audit matter, in light of the following factors:

- the significant impact on the Group's financial statements;
- the importance and large number of Incoterms for estimating the risk and benefit transfer dates, as determined pursuant to the sales contracts;
- transportation times that can vary from several days to several weeks depending on the destination and their significant increase in late 2021.

How our audit addressed this risk

We gained an understanding of the process related to recognizing various revenue flows.

Our work primarily involved:

- assessing internal control procedures, identifying the most relevant manual controls for our audit and testing their design and operational efficiency;
- verifying and testing, with the help of our IT specialists, the effectiveness of the automatic controls integrated into IT systems that affect the recognition of revenues and are relevant for our audit;
- based on a sample of equipment export sales around the 2021 reporting date:
  - reconciling invoices issued for corresponding contracts with the delivery documents relating to the invoices;
  - verifying that Incoterms have been properly taken into account.
- assessing the appropriateness of disclosures provided in Notes 2.20 and 28 to the consolidated financial statements.

Measurement of goodwill *(Notes 2.3, 2.7 and 7 to the consolidated financial statements)*

Description of risk

As part of the development of its business, the Group carried out external growth operations and thus needed to recognize the resulting goodwill on its balance sheet.

Goodwill corresponds to the difference between the acquisition cost and the fair value of the assets acquired and liabilities assumed, as described in Note 2.3 to the consolidated financial statements. It is monitored for each of the four main regions that correspond to the four Cash-Generating Units (CGUs) identified by the Group.

Every year, through impairment tests, management verifies that the carrying amount of this goodwill, for which an amount of €275.3 million was recorded in the balance sheet in 2021 (versus €46.5 million in 2020), is lower than its recoverable amount and that there is no risk of impairment.

The methods used by management to perform impairment tests and details of the assumptions used are described respectively in Notes 2.7 and 7 to the consolidated financial statements.

Given the materiality of the amounts involved and the degree of judgment required from management in terms of determining the perpetual growth rate and discount rates applied to projected cash flows, we deemed the measurement of goodwill be to a key audit matter.

How our audit addressed this risk

We reviewed the compliance of the methodology applied by the Group with current accounting standards.

We also performed a critical assessment of the procedure for implementing the methodology described in the notes to the consolidated financial statements by carrying out the following procedures:

- assessing the correct identification of new groups of CGUs following the acquisition of Gerber Technology;
- assessing the appropriateness of the valuation model used;
- analyzing the consistency between the inputs included in the determination of the carrying amount of the different CGU groups and those included in cash flow projections;
- verifying the consistency of the projected future cash flows with management's most recent estimates, as presented to the Board of Directors during the budget process;
- comparing the projected cash flows for 2021 used in the impairment test of the previous financial year with actual results;
- assessing the reasonableness of projected cash flows in relation to the economic and financial context of the Group's various groups of CGUs and in particular, the perpetual growth rates used by management;
- reviewing the calculation of the discount rates applied to the estimated cash flows expected for the various groups of CGUs;

- analyzing the tests performed to ascertain the sensitivity of value in use to changes in the main assumptions used by management, as set out in Note 7 to the consolidated financial statements;
- assessing the appropriateness of the disclosures provided in Notes 2.3, 2.7 and 7 to the consolidated financial statements.

Our work was carried out with the support of our firms' valuation specialists.

Acquisition of Gerber Technology *(Note 2.30 to the consolidated financial statements)*

Description of risk

On June 1, 2021, Lectra acquired full ownership of the US group Gerber Technology for €339.2 million. The acquisition was financed with €173.9 million in cash from an external loan of €140.0 million and Lectra's available cash, and the issuance of 5 million new Lectra shares at €33.05 each to AIPCF VI LG Funding LP, the sole shareholder of Gerber Technology.

Management considered that the acquisition of Gerber Technology by Lectra meets the definition of a business combination within the meaning of IFRS 3 - Business Combinations.

As part of the provisional allocation of the purchase price, management identified and determined the fair value of the assets acquired and liabilities assumed, with the assistance of independent valuation experts. Intangible assets relating to brands, technologies and customer relationships were estimated at USD 151.0 million (€133.3 million at the exchange rate at December 31, 2021) and provisional goodwill was valued at USD 239.2 million (€211.2 million at the exchange rate at December 31, 2021).

Given the materiality of the acquisition of Gerber Technology on Lectra's consolidated financial statements at December 31, 2021, and the importance of the judgments made by management in the provisional allocation of the consideration transferred, we considered the acquisition of Gerber Technology to be a key audit matter.

How our audit addressed this risk

Based on this information, our work consisted primarily of:

- reviewing and analyzing the main contracts governing the transaction;
- assessing the compliance of the accounting treatment of the transaction with IFRS 3 - Business Combinations;
- performing substantive procedures on the opening balance sheet of Gerber Technology at June 1, 2021;
- regarding the differences between US GAAP and IFRS:
  - obtaining the report of the independent expert appointed by management to assist in identifying and evaluating such differences;
  - assessing, with the support of our accounting transition specialists, the approach adopted and the exhaustiveness of the differences identified as well as their proper valuation and recognition.
- regarding the fair value of assets acquired and liabilities assumed, and the determination of provisional goodwill:
  - obtaining the report of the independent expert appointed by management to assist in identifying and evaluating provisional goodwill;
  - assessing, with the support of our valuation specialists, the process implemented, the methodologies used, the main underlying assumptions and the accuracy of the calculations.
- assessing the appropriateness of the disclosures provided in Note 2.30 to the consolidated financial statements.

Specific verifications

As required by legal and regulatory provisions and in accordance with professional standards applicable in France, we have also performed the specific verifications on the information pertaining to the Group presented in the Board of Directors' management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

We attest that the information pertaining to the Group presented in the management report includes the consolidated non-financial information statement required under Article L. 225-102-1 of the French Commercial Code. However, in accordance with Article L. 823-10 of the French Commercial Code, we have not verified the fair presentation and consistency with the consolidated financial statements of the information given in that statement, which will be the subject of a report by an independent third party.

Other verifications and information pursuant to legal and regulatory requirements

Presentation of the consolidated financial statements to be included in the annual financial report

In accordance with professional standards applicable to the Statutory Auditors' procedures for annual and consolidated financial statements presented according to the European single

electronic reporting format, we have verified that the presentation of the consolidated financial statements to be included in the annual financial report referred to in paragraph I of Article L.451-1-2 of the French Monetary and Financial Code (Code monétaire et financier) and prepared under the Chief Executive Officer's responsibility, complies with this format, as defined by European Delegated Regulation No. 2019/815 of December 17, 2018. As it relates to the consolidated financial statements, our work included verifying that the markups in the financial statements comply with the format defined by the aforementioned Regulation.

On the basis of our work, we conclude that the presentation of the consolidated financial statements to be included in the annual financial report complies, in all material respects, with the European single electronic reporting format.

It is not our responsibility to ensure that the consolidated financial statements to be included by the Company in the annual financial report filed with the AMF correspond to those on which we carried out our work.

Appointment of the Statutory Auditors

We were appointed Statutory Auditors of Lectra S.A. by the Annual General Meetings held on June 28, 1990 for PricewaterhouseCoopers Audit S.A. and May 22, 1996 for KPMG S.A.

At December 31, 2021, PricewaterhouseCoopers Audit and KPMG S.A. were in the thirty-second and the twenty-sixth consecutive year of their engagement, respectively.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for preparing consolidated financial statements giving a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for implementing the internal control procedures it deems necessary for the preparation of consolidated financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting, unless it expects to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems, as well as, where applicable, any internal audit systems, relating to accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements

Objective and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions taken by users on the basis of these consolidated financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code, our audit does not include assurance on the viability or quality of the Company's management.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditors exercise professional judgment throughout the audit. They also:

- identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence considered to be sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of the internal control procedures relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and the related disclosures in the notes to the consolidated financial statements;
- assess the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of the audit report. However, future events or

conditions may cause the Company to cease to continue as a going concern. If the Statutory Auditors conclude that a material uncertainty exists, they are required to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or are inadequate, to issue a qualified opinion or a disclaimer of opinion;

- evaluate the overall presentation of the consolidated financial statements and assess whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The Statutory Auditors are responsible for the management, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed thereon.

Report to the Audit Committee

We submit a report to the Audit Committee, which includes, in particular, a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report any significant deficiencies in internal control that we have identified regarding the accounting and financial reporting procedures.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were the most significant for the audit of the consolidated financial statements and which constitute the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) No 537/2014, confirming our independence within the meaning of the rules applicable in France, as defined in particular in Articles L. 822-10 to L. 822-14 of the French Commercial Code and in the French Code of Ethics for Statutory Auditors. Where appropriate, we discuss any risks to our independence and the related safeguard measures with the Audit Committee.

Neuilly-sur-Seine and Mérignac, February 23, 2022

The Statutory Auditors

PricewaterhouseCoopers Audit

Flora Camp

KPMG SA

Anne Jallet-Auguste

05

People responsible for the Annual Financial Report and auditing the financial statements

05 People responsible for the Annual Financial Report and auditing the financial statements

1. Certification by the people responsible for the Annual Financial Report

"We certify that, to our knowledge, the financial statements have been prepared in accordance with currently applicable accounting standards and provide a fair view of the assets, financial condition, and results of the Company and of its consolidated companies. We further certify that the Management Discussion and analysis that appears on pages 7 to 46 presents a true and fair view of the operations, results, and financial condition of the Company and consolidated companies, together with a description of the main risks and uncertainties that they face."

Paris, March 29, 2022

Daniel Harari
Chairman and Chief Executive Officer

Olivier du Chesnay
Chief Financial Officer

2. People responsible for auditing the financial statements

Acting Statutory Auditors

PricewaterhouseCoopers Audit	**KPMG SA**
Represented by Flora Camp Crystal Park 63, rue de Villiers 92208 – Neuilly sur Seine Cedex	Represented by Anne Jallet-Auguste Domaine de Pelus 11, rue Archimède 33692 Mérignac Cedex
Term expires at the end of the Shareholders' Meeting convened to approve the 2025 financial statements	Term expires at the end of the Shareholders' Meeting convened to approve the 2025 financial statements

LECTRA

CONTACT US

By post:

Lectra
Investor Relations
16-18, rue Chalgrin
75 016 – Paris

By email:

investor.relations@lectra.com

Our web site:

www.lectra.com

A French Société Anonyme with capital of 37,742,959 euros. World Headquarters: 16-18 rue Chalgrin – 75016 Paris. 300 702 305 RCS Paris