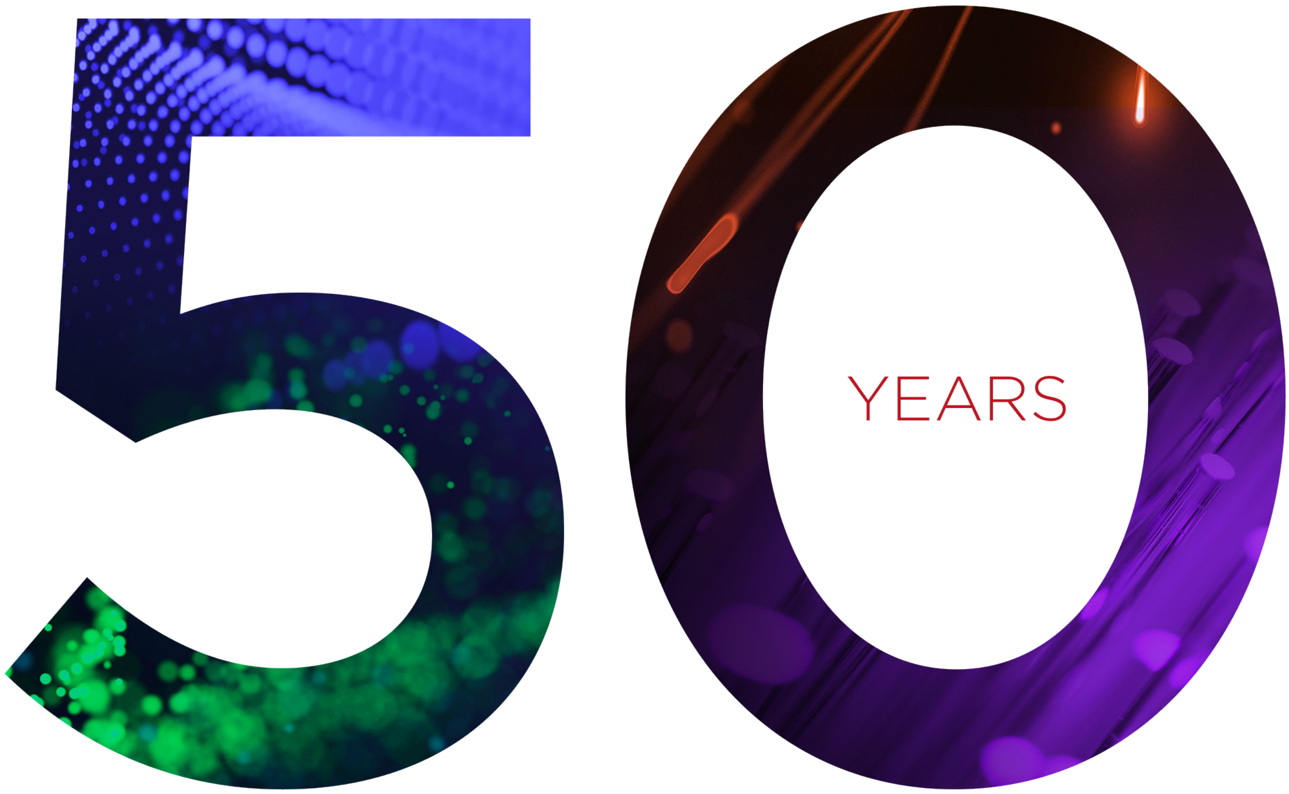
ANNUAL FINANCIAL REPORT
2023



LECTRA

We pioneer. You lead.

GENERAL SUMMARY

« 2023:
Further confirmation of Lectra's resilience. »

Statement from Daniel Harari, Chairman and Chief Executive Office

In 2023, Lectra celebrated its 50th anniversary. 50 years of innovation, 50 years of serving our customers. 50 years of creating a world-renowned technology Group, which is now part of the SBF 120 index.

Continued improvement in fundamentals

A year ago, I stated that the combination of Gerber Technology and Lectra in June 2021 created a premier advanced technology Group with an extended global reach, capable of responding rapidly to emerging customer needs in its three strategic market sectors — fashion, automotive, and furniture.

With continuing economic and geopolitical tensions in many parts of the world, rising interest rates, and limited access to credit for our customers, the year 2023 did not unfold as we had anticipated. We expected orders to rise at the start of the year, but the opposite occurred. We increased salaries twice in 2022, and again in January 2023, in order to protect employees from inflation, and we accelerated recruitment to prepare for business growth. In April, we introduced a strict cost control plan.

By combining strong growth in recurring contracts and higher gross margins across all product lines, while containing costs, we both mitigated the impact of the slowdown in activity and continued to improve our fundamentals.

We also generated higher free cash flow than in 2022. At end-2023, following the acquisition of the majority of the capital of TextileGenesis, we have a positive net cash position of 17 million euros and consolidated shareholders' equity of 418 million euros.

A new stage in our Lectra 4.0 strategy

Launched in 2017, the Lectra 4.0 strategy aims to position Lectra as a key Industry 4.0 player in its markets between now and 2030. From 2017 to 2022, we developed, tested and marketed numerous offers for Industry 4.0.

In 2023, we successfully implemented the first year of the 2023-2025 strategic roadmap. More specifically, we successfully leveraged synergies from acquisitions made in recent years, most notably Gerber Technology; we significantly increased our SaaS activity; and we acquired the majority of the capital of TextileGenesis.

Committed CSR policy

The relevance of our CSR policy, now enshrined as a key pillar of our strategy, has been recognized by Euronext, independent rating organizations, and the media. For the second year running, we were awarded the Best Managed Company by Deloitte.

Over and above our commitment to being environmentally responsible regarding our own ecological impact, our entire offer enables customers to limit their fabric and leather consumption — one of the principal contributors to their carbon footprint. The acquisition of TextileGenesis enhances our value proposition by ensuring fabric traceability, from fibre to retail.

Signs of improvement for 2024

Even though the economic environment remains tense at the start of the year, observers generally expect the situation to stabilize and visibility to improve gradually, with the prospect of a turnaround in late 2024 or early 2025.

In this context, a rebound in orders, combined with the improvement in the Group's fundamentals, would allow for significant growth in our results in 2024.

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

OVERVIEW OF THE GROUP'S SITUATION

2023 key figures

Like-for-like

Revenues

€477.6m

-6%

R&D costs

€55.8m

11.7%

of revenues

EBITDA before non-recurring items

€79.0m

-15%

EBITDA margin before non-recurring items

16.5%

of revenues

Net income

€32.6m

-26%

(at actual exchange rates)

Free cash flow before non-recurring items

€45.3m

Net cash

(at December 31)

€17.0m

Consolidated shareholder's equity

(at December 31)

€417.9m

01 MANAGEMENT DISCUSSION

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 26, 2024, 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).

Comparisons between 2023 and 2022 are based on 2022 exchange rates unless otherwise stated ("like-for-like"). As the impact of the acquisition of TextileGenesis (see press release dated December 8, 2022) on the financial statements for 2023 is not material, like-for-like changes exclude only the variations in exchange rates.

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.

SUMMARY

1. Summary of events and performance in 2023

1.1 2023: mixed results

The year 2023 was marked by a severely degraded macroeconomic and geopolitical environment, with many companies worldwide delaying investment decisions; this led to a 26% decline in orders for perpetual software licenses, equipment and accompanying software, and non-recurring services.

Nonetheless, new subscriptions for software sold in Software-as-a-Service (SaaS) mode had an annual value of 10.8 million euros, with continuing growth (+15%) confirming their success and increasing adoption by Group customers.

Results in line with revised objectives

In light of the shortfall in orders for new systems, the Group reported on October 25 that it anticipated full-year 2023 revenues in the range of 474 to 481 million euros, and EBITDA before non-recurring items in the range of 78 to 82 million euros.

Revenues (477.6 million euros) and EBITDA before non-recurring items (79.0 million euros) were in line with these expectations. Q4 exchange rates negatively impacted the results in this period; they reduced reported revenues and EBITDA before non-recurring items by 0.7 million euros and 0.4 million euros, respectively, relative to the expectations on October 25, particularly in the case of the US dollar, which came to €1/$1.08, whereas the October scenarios were based on €1/$1.06.

Strong improvement in the fundamentals of the Group's business model

The 2023 results showed a strong improvement in the fundamentals of the Group's business model, largely due to synergies arising from the Gerber acquisition. Revenues from recurring contracts rose by 10% and the gross profit margin increased by 3.5 percentage points, on a like-for-like basis. Moreover, the Group decided to raise salaries, twice in 2022 and again in early 2023, in order to protect employees from inflation; it also continued to invest for the future by strengthening its R&D teams. These decisions raised fixed costs in the first quarter of 2023 by 11%, compared to the first quarter of 2022. Measures to reduce certain overhead costs brought the increase down to 2% in the fourth quarter, without sacrificing investments for the future.

These improvements, many of which can be considered permanent, will have a positive impact on the Group's future earnings growth, in addition to the positive impact of the rebound in new systems orders.

1.2 Consolidated financial statements for 2023

With an average exchange rate of €1/$1.08 in 2023, the dollar was down 3% compared to 2022 and the yuan declined by 8% against the euro. Currency changes mechanically decreased revenues by 11.2 million euros (-2%) and EBITDA before non-recurring items by 4.8 million euros (-6%) at actual exchange rates, compared to like-for-like figures.

Orders

In a highly degraded environment, orders for perpetual software licenses, equipment and accompanying software, and non-recurring services (145.4 million euros) were down 26% compared to 2022.

Orders for perpetual software licenses (14.0 million euros), equipment and accompanying software (111.1 million euros) and for training and consulting (15.9 million euros) decreased by 23%, 29% and 10% respectively.

Geographically, orders for perpetual software licenses, equipment and accompanying software, and non-recurring services decreased by 33% in the Americas, 30% in Europe, 22% in Asia-Pacific and 6% in the rest of the world (including North Africa, South Africa, Turkey, and the Middle East …). They decreased by 28% in the fashion market, by 21% in the furniture market and by 18% in the automotive market.

The annual value of new software subscription orders came to 10.8 million euros, up 15% compared to the year 2022.

Revenues

Revenues came to 477.6 million euros, down 6% compared to 2022 (-8% at actual exchange rates).

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 (154.3 million euros) were down 24%. This item contributed 32% of revenues (40% in 2022), and included mainly:

- perpetual software licenses (13.8 million euros), which decreased by 23% and accounted for 3% of revenues (4% in 2022);
- equipment and accompanying software (118.8 million euros), which decreased by 29% and accounted for 25% of revenues (33% in 2022);
- training and consulting (17.3 million euros), which increased by 14% and accounted for 3% of revenues (3% in 2022).

At December 31, 2023, the order backlog for perpetual software licenses, equipment and accompanying software, as well as training and consulting amounted to 35.2 million euros. It decreased by 8.3 million euros compared to December 31, 2022, but increased by 1.1 million euros compared to September 30, 2023, like-for-like.

Revenues from recurring contracts, consumables and parts

Revenues from recurring contracts, which represented 38% of revenues (32% in 2022), amounted to 181.3 million euros, a 10% increase:

- software subscriptions (30.4 million euros), up 47%, represented 6% of revenues (4% in 2022);
- software maintenance contracts (53.6 million euros), up 3%, represented 11% of revenues (10% in 2022);
- equipment and accompanying software maintenance contracts (97.3 million euros), up 6%, represented 21% of revenues (18% in 2022).

In parallel, revenues from consumables and parts (141.9 million euros) increased by 1% and represented 30% of revenues (28% in 2022).

Overall, recurring revenues (323.2 million euros) accounted for 68% of revenues and were up 6% (+3% at actual exchange rates).

Gross profit

Gross profit amounted to 333.2 million euros, down 1% compared to 2022, while revenues fell by 6%.

The gross profit margin came to 69.8%, up 3.5 percentage points. This increase stems mainly from the synergies coming from the Gerber acquisition, particularly strong growth of recurring contract revenues, and strong improvement in the gross margin on equipment and accompanying software revenues.

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

Overhead costs

Overhead costs were 284.1 million euros, up 4% compared to 2022. The breakdown is as follows:

- 264.5 million euros in fixed overhead costs (+6%);
- 19.6 million euros in variable costs (-16%).

Research and development costs (55.8 million euros), which are fully expensed in the period and included in fixed overhead costs, represented 11.7% of revenues (52.9 million euros and 10.1% of revenues in 2022). After deducting the research tax credit applicable in France and grants received, net research and development costs totaled 51.3 million euros (45.8 million euros in 2022).

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

EBITDA before non-recurring items was 79.0 million euros, down 15% (-20% at actual exchange rates) and the EBITDA margin before non-recurring items came to 16.5%, down 1.7 percentage points (-2.3 percentage points at actual exchange rates).

Income from operations before non-recurring items amounted to 49.1 million euros, down 22%. This included a 12.6-million-euro charge for amortization of intangible assets arising from the acquisitions carried out since 2021.

Income from operations came to 48.5 million euros. This includes a non-recurring total income item of 5.2 million euros, arising from the reversal of the unused portion of a provision following the settlement of a tax dispute in the United Kingdom relating to the acquisition of Gerber (2.6 million euros), and reversals of provisions for other tax liabilities no longer required (2.5 million euros). It also includes a non-recurring total charge of 5.8 million euros, consisting of a provision for tax adjustment regarding the research tax credit in France (4.6 million euros), and fees and expenses relating to acquisition projects (1.2 million euros).

Financial income and expenses represented a net charge of 2.8 million euros. Foreign exchange gains and losses generated a net loss of 1.6 million euros.

After an income tax expense of 11.4 million euros, net income amounted to 32.6 million euros, down 26% at actual exchange rates.

Net earnings per share were €0.90 on basic capital and €0.89 on diluted capital (€1.18 on basic capital and €1.16 on diluted capital in 2022).

Free cash flow

Free cash flow before non-recurring items totaled 45.3 million euros (43.7 million euros in 2022). It is higher than net income.

After disbursement of 2.9 million euros in respect of non-recurring charges, free cash flow amounted to 42.4 million euros (40.3 million euros in 2022 after non-recurring disbursements of 3.4 million euros).

A particularly robust balance sheet

At December 31, 2023, the Group had a particularly robust balance sheet with a consolidated shareholders' equity of 417.9 million euros and a positive net cash position of 17.0 million euros, consisting in financial debt of 98.1 million euros and cash of 115.0 million euros.

Throughout the year, the Company paid out 15.2 million euros in respect of the acquisition of the majority of the capital of TextileGenesis, and 18.1 million euros in respect of dividends for fiscal year 2022.

The working capital requirement at December 31, 2023 was a negative 4.1 million euros. This amount includes the purchase of inventories in the amount of 4.1 million euros, on December 1, 2023, in connection with the insourcing of the production in China previously outsourced to the company VDL.

1.3 Acquisitions

Acquisition of the majority of the capital of TextileGenesis

On December 8, 2022, Lectra announced the signature of an agreement to acquire the majority of the capital and voting rights of the Dutch company TextileGenesis.

Founded in 2018, TextileGenesis provides a SaaS platform that enables fashion brands and sustainable textile manufacturers to ensure a reliable, secure and fully digital mapping of their textiles, from the fiber to the consumer, and thereby guarantee their authenticity and origins.

The transaction, which involves the acquisition of 51% of TextileGenesis for 15.2 million euros, was finalized on January 9, 2023. The acquisition of the remaining share capital and voting rights is expected to take place in two stages, in 2026 and 2028, for an amount that will be calculated based on a multiple of the 2025 and 2027 recurring revenues.

Insourcing of manufacturing in China previously performed by subcontractor

Following the acquisition of Gerber Technology in 2021, Lectra relied on a factory in China, operated by the Dutch group VDL, to manufacture Gerber-brand multi-ply cutting machines and spreaders. By establishing the new subsidiary, Suzhou Lectra Equipment Manufacturing , the Group has been able to insource this activity, which is primarily geared to the Asian market (see press release dated December 1, 2023). The Suzhou plant, located near Shanghai, will meet the same standards of operational excellence as are currently in place in the manufacturing facilities at Bordeaux-Cestas (France), and Tolland (United States).

2. 2023-2025 strategic roadmap: first progress report

Launched in 2017, the Lectra 4.0 strategy aims to position the Group as a key Industry 4.0 player in its three strategic market sectors, fashion, automotive and furniture, before 2030. The strategy has been implemented up to now through three strategic roadmaps.

The first strategic roadmap, which covered the 2017-2019 period, 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 (cloud computing, the Internet of Things, big data, and artificial intelligence.), the strengthening of the Executive Committee, the transformation of sales organizations into four main regions, and the launch of the first software offers in SaaS mode.

The second roadmap, which ran from 2020 through 2022, achieved a new dimension for the Group – primarily through the acquisition of Gerber in June 2021 – and opened new perspectives, with a financial position stronger than ever before, an extended worldwide presence, a broader customer base, a powerful product portfolio, a growing number of customers using its new offers for Industry 4.0, and a new brand image.

The Lectra 4.0 strategy and each of the chapters of the 2023-2025 strategic roadmap are summarized below, followed by an initial progress report describing the actions taken in this connection in 2023.

2.1 Lectra 4.0: a long-term vision

Markets undergoing profound changes

Lectra customers throughout the world continue to be affected by changes in consumer behavior, the macroeconomic and geopolitical events of recent years and the growing importance of ethical commitment and sustainable development.

Fashion industry players must undertake far-reaching transformations in their distribution networks and supply chains, taking into account Corporate Social Responsibility (CSR) issues, and the continuous adjustment of their product range and positioning strategies. The fashion sector's main objective is to produce only the products it can actually sell, at the right price to meet customer demand.

Automotive suppliers face major challenges including inflation of raw materials and components, supply chain disruptions and logistical complexity. Furthermore, the progressive shift from internal combustion to electric vehicles with costly technologies is exerting pressure on their cost structure. As a consequence, carmakers must optimize in other areas – particularly in seats and interiors, which account for a significant portion of total costs – in order to preserve their margins. To remain competitive, suppliers have to boost the performance of their production tools and optimize material consumption.

Finally, furniture industry players are continuing to modernize, digitize and automate their industrial facilities, while also transforming their production methods and processes to give greater priority to on-demand production that can best meet the needs of their consumers.

Accelerating adoption of key Industry 4.0 technologies

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.

The COVID-19 crisis, and its impact on consumer habits and ecosystems, are driving ever increasing structural changes in product value chains. These developments have substantially accelerated the digitalization of processes from creation to point of sale; the introduction of modular, intelligent and communicating production lines; and the adoption of the key technologies for Industry 4.0. These preliminary steps will make it possible to exploit the full potential of the fourth industrial revolution, and then automate and continuously optimize all processes.

Ultimately, Industry 4.0 will be a major step forward in interconnecting all participants in the value chain, driving higher performance, making production lines more flexible, more agile and more capable of meeting demand for personalization.

Corporate Social Responsibility: an increasingly central role for all activities

No company can ignore ethical, environmental, social and societal issues in conducting its business. Increasing numbers of consumers are expressing their expectations in terms of product traceability, sustainability and ethics. More and more countries are introducing regulations to guarantee their origin and their content. And many employees, especially younger people joining the workforce, are voicing increased concerns regarding corporate values and working conditions.

To address these issues, organizations must reassess the way they operate and their decision-making processes. Eco-design of products will progressively become the norm, optimizing production systems will be a necessity, and transparency will be imperative. All players in the fashion, automotive and furniture industries will have to adjust to these new conditions.

Lectra's long-term strategy more relevant than ever before

Launched in 2017, the Lectra 4.0 strategy, which aims to position the Group as a key Industry 4.0 player in its three strategic market sectors before 2030, has proven its effectiveness. The five pillars of the strategy are even more relevant today, in light of the changing environment and the new demands made by the markets Lectra serves:

- acknowledged premium positioning, further strengthened since the Gerber acquisition, 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 and accordingly increase customer satisfaction;

- 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;
- a committed CSR policy with a firm determination to adhere to increasingly demanding social, societal, ethical and environmental standards in all practices and activities.

For the Group's customers, Lectra's 4.0 strategy is reflected in the growing integration of key Industry 4.0 technologies in the product portfolio and new offers, particularly in software available exclusively in SaaS mode – and thus aligned with transformations in customers' business models. These offers, launched since 2018, have been developed by Lectra's R&D teams, or are the result of the acquisitions of Kubix Lab, Retviews, Neteven and TextileGenesis They have major growth potential, and are only at the start of their lifecycle.

2.2 New strategic roadmap for 2023-2025

A new phase to further position Lectra as an Industry 4.0 leader

Lectra will continue to implement the Lectra 4.0 strategy over the next three years through a new strategic roadmap for 2023-2025.

The Group intends to take full advantage of its change in dimension to accelerate growth, to significantly increase the volume of SaaS in its revenues, and to seize acquisition opportunities. With the commitment of employees, and recognition by customers, Lectra will be at the forefront in building a more sustainable future.

Six strategic priorities

To achieve these objectives, the Group has set six strategic priorities for 2023-2025.

First, reinforce implementation of ethical, social, societal and environmental best practices both internally and for customers. Formalized in 2021, Lectra's structured CSR policy will enable it to sustain growth while fully integrating the expectations of all stakeholders.

Second, leverage all synergies arising from the Gerber acquisition. With this acquisition, all of Lectra's fundamentals have been strengthened. No competitor can match Lectra's rich, robust, advanced experience in the key technologies of Industry 4.0 – or Lectra's business expertise, worldwide presence, customer base, leadership and business model.

By leveraging the potential of its expanded installed base, unifying R&D efforts, reorganizing industrial operations around three sites – Bordeaux-Cestas in France, Tolland in the United States, and Shanghai in China – and launching new joint offers, Lectra intends to maximize the impact of all these synergies to drive growth and profitability.

Third, accelerate the transition of software sales to the SaaS model. The Group intends to pursue efforts to strengthen market penetration of its software offers sold in SaaS mode, accelerate R&D investments to upgrade current offers and launch new solutions that will further enhance the product portfolio.

Fourth, accelerate the transformation of the Group's customer relationship and customer engagement model. The customer relationship and customer engagement model will continue to evolve to support the development of solutions for Industry 4.0 and the SaaS model, and thus deliver growth in recurring revenues. The model aims to increase customer satisfaction and loyalty, optimize and maximize their use of Lectra solutions, and enhance the penetration of new offers.

Fifth, following on from the previous two roadmaps, continue to pursue external growth. Lectra thus privileges companies – mainly start-ups – that have technological building blocks capable of being incorporated into the existing product portfolio or have brought to market offers that could complete Lectra's current range of products. In building expertise in fashion, in areas beyond its core operations, the Group will thus access additional growth drivers in the long-term, enabling it to sell more products to its customers.

Sixth, prepare Lectra for the 2026-2030 period, in order to achieve more rapidly and more efficiently its position as an indispensable player in Industry 4.0 in all three strategic market sectors.

The Group will continue to dedicate a significant share of R&D investments –roughly 10% of annual revenues – to developing new solutions that will be available starting in 2026.

Furthermore, in order to concentrate its efforts on the most promising activities going forward, the Group will progressively phase out certain non-strategic activities, which accounted for roughly 25 million euros in revenue in 2022, or less than 5% of the Group's 2022 revenues.

Finally, Lectra's governance structure will adjust to meet the Group's challenges and ensure successful execution of its long-term strategy.

These six strategic priorities provide the Group with a structure for the work required to achieve the ambitions of its strategic roadmap.

First progress report

In a degraded environment, Lectra successfully maintained its strategic orientations and further strengthened its financial soundness. While orders for new systems were notably lower in 2023, all the fundamentals of the Group's business model improved significantly and customer adoption of the SaaS model has accelerated.

The six strategic priorities of Lectra's strategic roadmap for 2023-2025 guided the actions carried out in 2023:

- A new milestone was reached in the deployment of Lectra's CSR policy. As part of its ambition to reduce both direct and indirect CO_2 emissions, detailed work was conducted to quantify its overall carbon footprint. Eco-design training was provided for Product and R&D teams throughout the year. Furthermore, 92% of industrial purchases are already aligned with the Group's Responsible and Sustainable Purchasing Charter (54% at December 31, 2022). Lectra has also reaffirmed its commitment to playing a major role in the decarbonization of its customers' activities: in addition to acquiring TextileGenesis, which provides a solution to textile industry traceability issues, Lectra continues to develop its offers to enable customers to better measure and reduce their own environmental impact, notably by optimizing material consumption and through lower power consumption of new-generation cutting machines. Sustained actions are also underway to develop and harmonize our corporate culture, notably to ensure employee well-being, promote the advancement of young talents, raise employee engagement, and enhance career prospects. The impact is measured by employee surveys, which had an 80% response rate in 2023 and identified an employee engagement rate of 65%.

- Despite the macroeconomic and geopolitical environment, the Group has achieved significant synergies following the acquisition of Gerber. Actions to optimize production costs for Gerber-branded equipment and the alignment of commercial practices across the Group are key factors behind the 3.5-point increase in gross margin in 2023. Similarly, the adoption in 2023 by many Gerber customers of a new maintenance contract for equipment and accompanying software, with substantially enhanced content, has contributed to the 6% increase in overall revenues of maintenance contracts for equipment and accompanying software. Moreover, the deployment of all the best practices in place at the Bordeaux-Cestas industrial facility (France) to the Tolland industrial site (United States) has contributed to a considerable increase in quality of service and customer satisfaction for Gerber-branded products.
- SaaS sales accelerated yet again in 2023, with over 1,250 customers subscribing to one or more software-as-a-service offers at year-end, compared to around 1,000 customers at December 31, 2022. SaaS subscriptions accounted for 6% of revenues in 2023, compared with 4% in 2022, and 0% in 2017. These advances demonstrate how Lectra customers have embraced the SaaS model, and highlight the success of the software offers for Industry 4.0 marketed since 2018 – offers that are available exclusively in SaaS mode.
- Lectra has continued to enhance its customer relationship model to provide even greater support to customers, particularly those who have chosen software sold in SaaS mode. The number of customer success managers increased to 43 at the end of 2023 (up from 34 in 2022 and 0 in 2017); their mission is to optimize customer performance through the use of Lectra solutions.
- Lectra's acquisition policy has continued to deliver, as exemplified in the January 9, 2024 announcement of the acquisition of Launchmetrics, international digital marketing player in the fashion industry. Lectra intends to pursue further acquisitions in the coming years.
- The Group maintained its strong investment in R&D, which amounted to 55.8 million euros, or 11.7% of revenues, in 2023, with particular focus on the development of future offers, while continuing to enhance current offers. In July 2023, Lectra launched a new generation of intelligent, connected cutting equipment for the fashion industry, allowing fashion manufacturers to adapt to the growing need for small series production, with products that improve the productivity, flexibility, and environmental footprint of cutting rooms. These new generations were extended to the furniture and automotive sectors in early 2024, and will also contribute to the launches of new disruptive solutions planned for 2024, 2025 and beyond, including the extension of Lectra's digital platform for the cutting room 4.0, Valia, to the fashion and furniture sectors.
- The membership of Lectra's Board of Directors evolved in 2023, with the appointment of Ross McInnes as Lead Director, and of Karine Calvet and Pierre-Yves Roussel as Directors. The Board of Directors will also propose at the Annual Shareholders' Meeting on April 26, 2024 to elect as Director Jérôme Viala, who serves as Executive Vice President and is scheduled to retire on March 31, 2024. Finally, Lectra's Executive Committee has evolved in order to better address the Group's future challenges; Anne Borfiga has been appointed to the newly created position of General Secretary, and also serves as CSR referent; Fabio Canali heads the newly created EMEA region covering Europe, Africa and the Middle East (territories previously divided into two regions).

Financial objectives

In February 2023, Lectra announced its ambition to achieve 2025 revenues of over 700 million euros (including 10% in SaaS revenues), combining both organic growth and acquisitions, and an EBITDA margin before non-recurring items of over 20%.

In light of the improved fundamentals of the Group's business model and the acquisition of the majority of the capital of the company Launchmetrics, and despite a degraded environment, Lectra's ambition now is to achieve 2025 revenues of over 600 million euros (including 90 million euros in SaaS revenues), and an EBITDA margin before non-recurring items of over 20% (based on the closing exchange rates on December 29, 2023, in particular €1/$1.10).

Moreover, the Company intends to maintain its attractive shareholder compensation policy with dividends that over the roadmap period should represent a payout ratio of about 40% of net income, excluding non-recurring items.

Free cash flow generation will contribute to financing the Group's internal development strategy and acquisitions, as well as the repayment of debt.

3. Risk factors – Internal control and risk management procedures

In 2019, Lectra conducted a risk mapping exercise, which has since been updated annually. Given the change in the Group's dimension and the substantial evolution of its environment, the Group conducted a further mapping exercise — expanded to include the risks of corruption and influence peddling — in the latter part of 2022, with assistance from the consulting firm Protiviti. Each risk has been analyzed in terms of gross risk (i.e., inherent risk, before taking mitigating actions into account) and net risk (i.e., residual risk, following those actions).

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.

3.1 Risks in connection with the 2023-2025 roadmap

The 2023-2025 strategic roadmap is based on the five pillars of the Lectra 4.0 strategy: (i) premium positioning, (ii) focus on three strategic market sectors (fashion, automotive and furniture), (iii) customer focus, (iv) the introduction of new 4.0 services, and (v) a committed CSR policy. Deviating from the strategy would carry a risk of dispersion, which would be detrimental to the Group's efficiency and performance, and failure to adhere to any of the pillars could result in inability to deliver the roadmap.

Implementation of this roadmap — ambitious in terms of internal and external growth and in terms of transformations — entails risks related to development of new offers, the group's ability to market them, integration of acquired companies, and implementation of CSR commitments in its strategy and action plans.

3.1.1. The fit between new offers and the market

New offers are a potential growth driver for the Group and, in this respect, many investments made in recent years, particularly in R&D and acquisitions, could fail to be profitable. The launch of these new offers, whether they replace existing offers or constitute new product lines, entails risks in terms of time-to-market (as products may arrive on the market too early or too late), risks related to the failure to fulfill the eco-design commitments made by the Group, as well as risks of failure to understand the value for customers. These risks could lead to failure to achieve the strategic, financial and commercial objectives of the 2023- 2025 strategic roadmap. This could also lead to a loss of confidence on the part of customers, investors, and Lectra's teams, and to a challenge to its strategy.

To address these risks, which are inherent in any technology company, Lectra has defined a strategy structured around a vision for the year 2030, and implemented successive three-year strategic roadmaps. Each roadmap is prepared during the twelve months preceding its launch with the Strategic Committee, the Executive Committee and numerous Group experts. In addition, the Group continuously monitors the competitive environment and conducts market analyses. The 2023-2025 roadmap includes action plans to eco-design all new equipment and software, and specific measures have been put in place in all teams concerned.

Each year, Lectra invests over 10% of revenues in R&D. Every six weeks the Chief Executive Officer, the Chief Product Officer and the Chief Technology Officer review the product and R&D plans with the relevant teams. New offers are launched progressively through the needs analysis and prototyping phases with a small panel of customers, to validate the vision and development stages, before proceeding to a test phase with selected customers. The Group then carries out a pre-launch, with a presentation of the offer to a limited number of customers in order to validate the messages and value. Once these steps are completed, the offer is officially released to the market.

3.1.2. Sales performance

As the Group provides its customers with high value-added technology solutions, its ability to achieve the objectives of its strategic roadmap could be jeopardized by poor sales performance, a risk that is heightened by the fact that these are new solutions for Industry 4.0, which may not yet be fully mastered by all teams and which require rare skills that are difficult to attract and retain. New product lines originating from recent or future acquisitions may not yet be fully mastered by the existing sales teams and require dedicated teams, which would then have to be recruited, although there is no certainty they would be found.

To mitigate that risk, the Group regularly analyzes the performance of its sales teams, specializes its teams by product line, develops its sales engineering teams, and strengthens its relationships with customers by appointing Customer Success Managers, who are responsible for maintaining close contact with users of the Group's solutions.

3.1.3. Integration of acquired companies

The Group could potentially be unable to successfully integrate acquired companies, which generally have a different business model, and their own specific organization and processes. Furthermore, in the case of start-ups, differences in business management processes and decision- making procedures, with founders involved in many if not all decisions, could make it difficult to retain founders and to secure employee loyalty. The Group must choose between maintaining existing processes and leaving greater autonomy to the founders, or applying the Group processes, which could limit synergies, particularly in terms of technology and sales.

Each acquisition represents a significant investment, and is an important growth driver. Unsuccessful integration could result in delays in implementation, loss of market confidence, financial losses, or a challenge to strategy. To address these risks, Lectra has defined an acquisition policy as part of its Lectra 4.0 strategy, and performs extensive due diligence prior to signing. An integration plan is put in place prior to the acquisition; it includes specific governance and operating procedures, with steering committees meeting every six weeks during the first twelve to eighteen months, and alignment with the Group's financial, legal, technology and IT standards.

3.1.4. Increasing demands regarding CSR

Owing to the changing regulatory framework and the increasing demands by all stakeholders regarding social, environmental and societal matters, the Group, in the event of non- compliance, could be exposed to damage to its reputation and could become less attractive to customers, shareholders and employees. In addition, certain suppliers could refuse to comply with Lectra's CSR standards, causing the Group to cease working with them, which could then lead to supply difficulties. Finally, the Group also faces a risk related to a decline in energy resources, which would require implementation of policies to reduce consumption.

For many years, Lectra has integrated these elements into its strategy and action plans. Given the Group's small environmental footprint, the main challenge relates to difficulties in measuring the impact of its CSR policy. To address this concern, the Group has set up a specific governance structure, including a CSR Committee of the Board of Directors and an action plan with 12 commitments, which is described in the Non-financial Statement.

3.2 Risks relating to market conditions

Market conditions are constantly changing, due to the geopolitical context, macroeconomic uncertainties, currency fluctuations, and changes in competition. The Group could potentially fail to anticipate the consequences of such changes, or even be unable to protect itself against their impact on its business activity and results.

3.2.1. Geopolitical context

In the context of an evolution towards a multipolar world with strong tensions, conflicts between nations, Sino-American rivalry, and protectionist policies in certain countries, the Group's activities could be severely affected, particularly regarding its capacity to produce and sell in certain markets.

This situation is reflected in a climate of uncertainty that has the potential to cause postponement, suspension or cancellation of certain technological investments, which are inherently structural in nature, as the Group's customers await greater visibility before making decisions; this would reduce business activity and adversely affect profitability. To mitigate these risks, the Group has further diversified its presence throughout the world, particularly through the acquisition of Gerber, and has decided to regionalize its production in order to reduce flows between regions.

3.2.2. Macroeconomic uncertainties

The solutions marketed by Lectra represent significant investments for customers, some of whose decisions depend on the state of the industry in which they operate and its macroeconomic environment. Uncertainty related to the economic environment, against a backdrop of inflation and/or recession expectations, could lead customers to reduce or postpone their investment decisions, which would translate into lower business activity and profitability.

The Group has inherent protective factors that increase its resilience: a global presence, business activity spread across several sectors, recurring revenues that account for more than 60% of total revenues, of which the gross margin covers close to 90% of fixed overhead costs, a negative working capital requirement, and a particularly strong balance sheet. Moreover, a weak or recessionary economy would create more opportunities for external growth, on better terms, offsetting any slowdown or absence of internal growth.

3.2.3. Credit tensions

The Group's customers' access to credit becomes more complex in periods of economic uncertainty, thus exacerbating pre-existing tensions, as banks apply tighter lending standards to guard against future loan defaults. Market fluctuations and geopolitical uncertainties can also contribute to more conservative lending policies.

Tensions on lending conditions can influence the Group's customers' investment decisions, in particular by prompting them to adopt a more cautious approach to their financial choices. Lectra's global presence thus effectively becomes a risk mitigation strategy, as economic crises and credit tensions do not usually affect all markets simultaneously. In this way, the Group's global reach offers protection against the negative impacts that could arise from lending tensions in specific regions.

3.2.4. Currency fluctuations

The Group is exposed to a decline in the exchange rates of certain currencies against the euro, since a significant portion of its revenues is denominated in currencies other than the euro, in particular the American dollar and the Chinese yuan; the impact would be a reduction in the Group's profitability and, in the case of the yuan, a decline in competitiveness, since most of its competitors manufacture all of their equipment in China. The acquisition of Gerber in 2021 has reduced sensitivity to currency fluctuations. Furthermore, the Group hedges almost all its balance sheet positions through forward currency sales and purchases.

3.2.5. Competition

The rise of certain competitors at the regional and/or sector level, and the emergence of a different competitive ecosystem for the Group's new activities, could lead to reduced relevance of its value proposition and result in a loss of leadership, lower market share, and lower revenues and margins.

To mitigate these risks, the Group conducts detailed competitive analyses throughout the year and monitors its markets both globally and regionally. With the acquisition of Gerber, the Group going forward has a revenue base that is well-balanced across the Americas, Europe and Asia, and a very large customer base. Premium positioning differentiates the Group from its competitors, particularly those offering low-cost solutions. The Group's annual investment in R&D, equivalent to over 10% of revenues, is multiple times higher than its main competitors' R&D outlays, and the acquisition of innovative start- ups further reduces such risks.

3.3 Risks related to the Group's business

Operating in a complex, multi-industry, multi- country environment with solutions that combine software, equipment, data and services is a daily challenge, with many associated risks.

3.3.1. Business continuity

A major event such as fire, storm, flooding or the collapse of a building, or a cyber-attack, could have a prolonged impact on a site and therefore lead to an interruption of operations, loss of market share and financial loss.

For many years now, the Group has implemented risk prevention plans and business continuity plans, which are reviewed on an ongoing basis; and the two industrial sites – three since December 1, 2023 – are covered by property, casualty and civil liability insurance. Furthermore, the Group has reinforced its cybersecurity plan and will continue to do so in coming years, to counter growing numbers of attacks.

3.3.2. Dependances on key suppliers

Lectra may potentially find itself in a position of dependence with respect to certain software solutions, cloud services, key component suppliers or subcontractors for the manufacture of its equipment. Technical, logistical, financial or CSR deficiencies, or a change in strategy by one of those suppliers, could impact the continuity of the Group's operations and as a result its profitability. This could result in disruptions in the production chain, increased delivery times, damage to the Group's reputation and an adverse impact on profitability.

To mitigate such risks, the Group performs a technological, industrial and financial assessment of each supplier through a purchasing risk map and, for each high-risk vendor, implements a plan to secure supply. For several years already, suppliers have been required to sign and comply with a supplier charter, which was reinforced in 2023. The Group also purchases locally from suppliers and subcontractors with whom it has established close relationships. In addition, the Group maintains significant inventories of sensitive parts, purchases from multiple sources whenever possible, and makes advance purchases of end-of- life components.

3.3.3. Technological obsolescence

The risk of obsolescence of certain components, particularly electronic components, and the obligation to maintain solutions for a specified number of years after they are no longer marketed, could result in additional costs, or even make it difficult or impossible to maintain those solutions. Moreover, the use of a technology controlled by a single supplier exposes the Group to the risk of maintenance being halted were that supplier to cease operations.

To mitigate these risks, the Group has set up an Obsolescence Committee that identifies end of life items and manages critical skills in older technologies. The Group has developed a new generation of modular and programmable electronic controls, which allow for easier replacement of components. It has also set up a program to encourage customers to replace their oldest equipment with the latest generation of equipment.

3.4 IT risks

3.4.1. Complex IT systems architecture

Since the acquisition of Gerber, the Group has added a number of IT systems to its application landscape, including two main ERP systems, as well as stand-alone ERPs used in the other recently acquired companies. The lack of harmonization and/or the obsolescence of the systems could lead to duplication of operating methods, or to failure to achieve the expected synergies and thus adversely affect the Group's productivity.

To address this risk, the Group has put in place a plan for the continuous improvement, optimization and transformation of its information systems, and has drawn up a five-year plan to switch progressively to common tools, in particular a new ERP.

3.4.2. Security of internal IT systems and offers

The risk of disruption of internal information systems and/or the infrastructure for cloud offers, whether for technical reasons or as a result of cyber-attacks, could lead to loss of data integrity, disruption of business continuity for the Group or its customers, with financial penalties, and could seriously harm its brand image.

The Group has cybersecurity specialists, and has implemented a comprehensive action plan to secure both its internal information systems and its cloud services. This plan includes control of the infrastructure and datacenter, protection of workstations, authentication and access control to information systems, as well as control of cloud risks with suppliers, including in particular system supervision, rapid reaction to incidents, and a guarantee of business continuity. The Group also conducts twice a year penetration testing campaigns, on its internal information systems and on its cloud offers, with support from outside companies. The Group has also set up programs for internal and external R&D teams to increase awareness and provide training in best practices for IT development security.

3.4.3. Protection of personal data

The risk of loss, theft or destruction of personal data in the event of a cyber-attack, particularly data on employees, customers and commercial operations, due to inadequate security, could lead to a loss of trust and legal action, with financial consequences and a reputational impact. However, the Group has very low exposure to the risk involved in protecting its customers' personal data: only first names, last names, addresses and email addresses of customers' employees are stored.

To mitigate this risk, in addition to a plan to prevent cyber-attacks and to limit the impact of any attack, the Group has put in place arrangements for the cybersecurity team to assist employees in securing all processes that deal with personal data, and has divided customer data between various servers.

3.5 Human resources

3.5.1. Key skills and resources

The Group's performance is essentially based on the skills and expertise of its teams and on its ability to unite them around its 2023-2025 strategic roadmap. Tensions in the labor market, particularly in the technology sector, have made it more difficult to recruit and retain talent, given its scarcity. Any departure from the management team or of certain experts could create an impact on business activity and results. Lectra has made strong commitments to diversity and inclusion, work/life balance, and to ensuring the health and safety of its teams. Failure to meet those commitments could result in reputational damage, employee turnover, and reduced capacity to attract new talent; this could have an adverse impact on efficiency and leadership, and make it difficult to execute the 2023-2025 strategic roadmap.

Lectra has launched numerous initiatives to strengthen its employer brand, to improve its procedures for recruiting and for onboarding new employees, and to adjust its compensation packages. The Group has also placed respect for an inclusive, diverse and vibrant work culture at the heart of its CSR strategy, with action plans at Group level and for each team.

3.5.2. Succession of key individuals

In the same way as for the Chairman and Chief Executive Officer, whose name is now inseparable from the name Lectra for investors and employees, the departure of key individuals at the Executive Committee level who have embodied Lectra's DNA for over twenty years could expose the Group to a succession risk if the governance arrangements put in place were not to operate as expected. This could result in slowing business activity, the departure of certain employees or lack of confidence by certain investors who would sell their shares, thus affecting the Group's market valuation.

Future departures from the Executive Committee are anticipated and actions have been undertaken regarding the preparation for their succession, which is reviewed yearly by the Nominations Committee. New talents are continually recruited or promoted to strengthen the management team. Information on the foreseeable evolution of governance arrangements and the replacement of key individuals is also shared with employees and investors in order to maintain their continued confidence.

3.6 Factors relating to legal regulations and compliance

Ethics and compliance

The Group's operations may present risks relating to fraud and non-compliance with various extraterritorial regulations regarding, e.g., corruption, influence peddling, import controls, and tax evasion. Financial gain or any other benefits received from activities resulting from such practices may result in financial and reputational loss, fines or expose Lectra and its officers to civil and/or criminal liability.

To mitigate these risks, for decades, Lectra has incorporated the highest ethical standards and has put in place control systems regarding corruption, influence peddling, import controls, and tax evasion. In 2018, the Group implemented, in accordance with the Sapin II Act, a specific program that includes a code of conduct, a whistleblowing procedure, and training for all employees. In addition, the current transfer pricing policy ensures compensation for 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. Finally, the corruption risk map that was drawn up in 2022 with assistance from the consulting firm Protiviti, is integrated into the Group's global risk mapping system.

3.7 Internal control and risk management procedures

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.

3.7.1. 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 first stage in deployment of the internal control and risk management systems was carried out in 2022. Full implementation of all internal control and risk management measures will be finalized in 2024.

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 etc) and as more fully described in the Non-financial Statement (NFS), 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, intellectual and industrial property rights, and the regulatory requirements applicable to equipment.

Lectra's anti-corruption system is described in chapter 4 of the NFS.

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 laid down by the Executive Committee. These procedures were adapted in 2019 when the Executive Commitee was first expanded, then updated in 2021 and in 2022.

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 attention is paid to 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.

3.7.2. 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 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 Group'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 Executive Vice President, 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 directors concerned, who are then required to account for their utilization of the powers conferred on them, in monthly reports on their activities to the Chairman and Chief Executive Officer and/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 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***

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 Department. All recruitments and dismissals must receive the department's prior authorization. Compensation is reviewed and submitted to the Human Resources Department for approval.

Finally, for the members of the Executive Committee, the current compensation formula, benefits in kind, as well as any change in this formula are submitted to the Compensation Committee to receive their opinion.

- ***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 the loan 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 (since July 2022, the Company also covers reciprocal balance sheet positions between Gerber's historical entities). Net positions are hedged using forward currency contracts.

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 was updated in 2022 and reviewed by the Audit Committee and the Board of Directors on February 23, 2023.

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 to the Deputy Chief Financial Officer or to the Chief Financial Officer, 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 and 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 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 Group's intellectual property rights and, more broadly, all risks associated with innovation and the protection of its intellectual and industrial property.

Continuous improvement of the internal control system and procedures

Solutions to 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.

Given the nature of its business, the Group is compelled to adapt its organization to market and strategy 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 3.7.1., "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. Areas for work focus on the following topics:

- updating the Group's 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 and integrating acquired companies;
- general improvements in IT systems and resources, stricter management of access rights and controls on data integrity in information systems.

3.8 Specific provisions relating to the 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.

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 is additional to the procedures described below to reduce the risks of error in the accounting and financial information published by the Company.

3.8.1. Reporting and budget procedures

The Group produces comprehensive, detailed financial reporting covering all aspects of the activities of each division. Reporting procedures are based primarily on the budgetary control system put in place. The annual budget is prepared centrally by the Group Finance Division management control teams. This detailed, comprehensive process includes setting the budgetary targets of each region and Group unit, together with indicators specific to each activity. It permits rapid identification of any deviation in actual or forecast results, and thereby minimizes the risk of error in the financial information produced.

3.8.2. 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 analyzed in detail in order to determine its causes, verify that procedures have been respected and financial information properly prepared.

Quarterly consolidation

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 companies and of the consolidation process itself. All Group subsidiaries employ the same standard consolidation reporting package for this purpose. 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 analyzed. 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 validated by the Board of Directors and published by the Company.

3.9 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.

The Group has taken the following insurance coverage:

- legal liability;
- directors and officers liability;
- property damage and consequent business interruption;
- 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 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 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 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 monetary consequences arising from its liability.

The property damage and subsequent business interruption 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), Tolland (United- States) and, since December 1, 2023, Suzhou (China) sites. The program comprises "business continuity" cover against financial loss in the event of a major accident affecting one of the sites and jeopardizing the continuity of all or part of the Group's business. It is backed up by risk prevention measures, based on the findings of the Group insurers' experts.

4. Off-balance sheet items

4.1 Off-balance sheet commitments relating to the Group's financing

The Company, through its banks, has given a total of 3.5 million euros in guarantees to customers, to lessors in connection with lease contracts, or to suppliers and service providers at December 31, 2023 (4.0 million euros at December 31, 2022).

Exchange risk hedging instruments of balance sheet positions at December 31, 2023 were comprised of forward sales or purchases of foreign currencies (mainly US dollars, pounds sterling and Chinese yuan offshore) for a net total equivalent value (sales minus purchases) of negative 25.3 million euros (negative 8.2 million euros at December 31, 2022).

4.2 Off-balance sheet commitments relating to the Group's 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 used in the Group Information System, 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, 2023 were valued using the same methodology as in previous years.

5. Research and development

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

At December 31, 2023, the R&D headcount was 586 persons (500 at December 31, 2022, before taking into account TextileGenesis), including 346 in France, 113 in Romania, 55 in the United States, 16 in China, 8 in Italy, 11 in Belgium, 8 in Spain and 1 in the UK (in addition close to 30 subcontractors, as part of Gerber's annual R&D investments are outsourced).

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.

Research and development costs (55.8 million euros), which are fully expensed in the period and included in fixed overhead costs, represented 11.7% of revenues (52.9 million euros and 10.1% of revenues in 2022). After deducting the research tax credit applicable in France and grants received, net research and development costs totaled 51.3 million euros (45.8 million euros in 2022).

As a result of these substantial R&D efforts (336 million euros invested over the past ten years, only counting outlays by acquired companies once they are integrated into the Group's consolidated financial statements), 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.

6. 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 33 to 81 of the Annual Financial Report.

7. Appropriation of earnings

The Board of Directors has decided to propose to the shareholders during their meeting on April 26, 2024, the payment of a dividend to €0.36 per share in respect of fiscal year 2023. The gross dividend represents a payout ratio of 42% of 2023 consolidated net income and a yield of 1.2% based on the December 31, 2023, closing share price.

Subject to approval by the Shareholders' Meeting of April 26, 2024, the dividend will be made payable on May 3, 2024.

8. Share capital - ownership - share price performance

8.1 Change in share capital

At December 31, 2023, the share capital came to €37,832,965, divided into 37,832,965 shares with a par value of €1.00. Share capital increased by €44,016 (with a total share premium of €642,915) due to the creation of 44,016 shares since January 1, 2023, resulting from the exercise of stock options.

8.2 Main shareholders

On November 23, 2023, the Company was notified that Alantra EQMC Asset Management SGIIC (Spain) had exceeded the 5.00% thresholds of share capital and of voting rights and held 5.03% of the share capital and 5.00% of the voting rights.

On February 28, 2024, the Company was informed that on February 21, 2024, AIPCF VI LG Funding LP (United States) had fallen below the 5% thresholds of share capital and voting rights and held as at that date 3.82% of the share capital and 3.80% of the voting rights.

On February 25, 2024, Daniel Harari, who had held 14.6% of the share capital and 14.5% of the voting rights, reported to the Company that he had sold 700,000 shares of Lectra to repay loans taken out many years before, and did not intend, in the foreseeable future, to sell other shares of the Company.

No other crossing of statutory thresholds has been reported to the Company since January 1, 2023.

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

- Daniel Harari holds 12.7% of the capital and 12.6% of the voting rights;
- Alantra EQMC Asset Management SGIIC (Spain), Brown Capital Management (United States), Fidelity Management and Research (United States), and Kempen Oranje Participaties (The Netherlands), 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.

8.3 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 Stable Shareholding Agreement terminated on February 21, 2024, the date that AIP reduced its holding in the capital of Lectra to 3.82%. The principal clauses of this Agreement, which were in force from June 1, 2021, to February 20, 2024, are set out in AMF opinion ("avis") n°. 221C2808 published on October 20, 2021, and are available on the Company's website. They relate to AIP representation on the Lectra Board of Directors[(1)], restrictions on the sale of AIP's holdings in Lectra, AIP's maximum ownership percentage of Lectra shares, the holding of registered shares, antidilution right, the right of first offer, and the sale of shares.

8.4 Treasury shares

At December 31, 2023, the Company held 0.08% of its own shares in treasury shares, solely within the framework of the liquidity agreement contracted with Natixis and ODDO BHF.

(1) For information on the application of the clause regarding AIP representation on the Lectra Board of Directors, see Report on Corporate Governance, section 1.4.2. Membership of the Board of Directors, chapter "Proposed change in the composition of the Board of Directors submitted to the 2024 Shareholders' Meeting called to approve the financial statements for fiscal year ended December 31, 2023."

8.5 Granting of stock options – potential capital stock

The Shareholders' Meeting of April 29, 2022, renewed the authorization given to the Board of Directors to grant stock options, for a maximum of 1.2 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 thirteenth resolution. This authorization was given for a period of 38 months, expiring on June 28, 2025.

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

Stock option plan

Lectra has a long-standing policy of employee participation in its capital; this is an essential component of a sound compensation policy, and assures shareholders that the priority of the Group's key employees is the long-term development of the Company. Stock options have proven to be an effective mechanism for retaining employees, for incentivizing them to actively contribute to Lectra's development, and for attracting new talent.

The main features of the Company's stock option plans are as follows:

- ***Exercise price***

The share exercise price shall not be less than the average opening price of the share listed for the twenty trading sessions prior to the decision by the Board of Directors to grant the options.

- ***Beneficiaries***

The list of beneficiaries is drawn up by the Board of Directors, on a proposal by the Chairman and Chief Executive Officer and a recommendation by the Compensation Committee.

Option beneficiaries fall into three categories:

- members of the Executive Committee (except for the Chairman and Chief Executive Officer, who receives no stock options);
- the senior Group managers;
- other employees whose contribution is considered significant.

- ***Performance conditions***

Since 2022, all options granted[1] to members of the Executive Committee are subject to performance conditions based on the year of the grant and the following two years, as per ciriteria that measure both the results for the year just ended and the more medium- and long-terms effects on results. The final number of options is calculated ex-post with reference to the percentage fulfilment of targets set for the beneficiary and validated by the Board of Directors meeting closing the annual financial statements for the third year after they were granted.

One half of the options granted to senior Group managers, as in years prior to 2022, is subject to performance conditions aligned with the objectives of Lectra's strategic roadmap. The final number of options is calculated with reference to the percentage fulfilment of targets set for the beneficiary for the year of the grant, and validated by the Board of Directors meeting closing the accounts for the year following the year they were granted.

- ***Vesting period, absence of lock-up period, employment requirement, and option validity period***

Options that have vested can be exercised, in full or in part, from the end of the four-year vesting period, applicable to all beneficiaries (that is, June 7, 2027 for the options granted in 2023).

No lock-up period is applicable.

All plans require that the beneficiary continue to be an employee of the Company, or an employee or company officer (*mandataire social*) of one of the companies in the Group, from the date of the grant to the time the options are vested, it being specified that 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 (that is, December 31, 2026 for the options granted in 2023). 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 2023, between January 1, 2024 and December 31, 2026) 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 performance for options for which the right to exercise is also conditional on actual performance. The options are valid for eight years from the date they are granted (i.e., June 7, 2031 for options granted in 2023).

2023 stock option plan

The Board of Directors at its meeting on June 7, 2023 granted, in respect of the 2023 stock option plan, up to 261,865 options to 218 beneficiaries, at an exercise price of 28.25 euros per share, as follows:

- a maximum of 104,359 stock options to 11 members of the Executive Committee, the right to exercise being conditional on presence at December 31, 2026 and performance over the 2023-2025 period for all options granted;
- 36,676 stock options to the 11 most senior managers; for one half of the options granted, the right to exercise is conditional merely on actual presence at December 31, 2026, and, for

(1) Prior to 2022, 50% of the options granted to members of the Executive Committee were subject to performance conditions based on the results of the year of the grant.

the other half of the options granted, the right to exercise is conditional on both presence and 2023 performance; and
- 120,830 stock options to 196 other managers and individual contributors, the right to exercise being conditional on solely presence at December 31, 2026.

All of the options granted concerned the Company and its subsidiaries' employees. The only company officer of the Company (dirigeant mandataire social exécutif), 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 the reference period (2023 for the most senior manager beneficiaries and 2023-2025 for the Executive Committee beneficiaries), also taking into account departures between the grant date and the end of the year.

On the date of this Report, the 2023 performance calculations have been completed for all the most senior managers on the basis of the Group's consolidated financial statements, and 8,829 options out of the 36,676 options, which were initially granted to them, have been cancelled. The performance calculations for the members of the Executive Committee for the 2023-2025 period, and the cancellation of options that are unvested due to failure to achieve 2023-2025 objectives, will be done in 2026.

In addition, 3,224 options granted in 2023 have ceased to be valid mainly due to the departure of six beneficiaries.

As a result, at December 31, 2023, the total number of options initially granted (261,865 options to 218 beneficiaries) had been reduced to 249,812 and the number of beneficiaries to 212. The options representing the difference between those initially granted and those actually granted are available to be used again by the Board of Directors.

Options outstanding at December 31, 2023

44,016 options granted under the different stock option plans outstanding at December 31, 2023 were exercised during fiscal year 2023 and 27,059 options, granted before 2023, have ceased to be valid due to the departure of their beneficiaries or the fact that they have not been exercised.

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. At December 31, 2023, 341 people (including 329 employees and 12 former employees of the Group) benefit from stock options.

At December 31, 2023, 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 39,210,532, consisting of:
- capital stock: 37,832,965 shares;
- stock options: 1,377,567 shares.

Each stock option gives the beneficiary the right to acquire one new share with a par value of €1.00, 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, 2023, the Company's capital (at par value) would increase by a total of €1,377,567, associated with a total additional paid-in capital of €32,103,072.

Note 16.5 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, 2023.

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 26, 2024, on the Company website (https://www.lectra.com/en/investors/shareholder-information/shareholders-meetings).

Summary of stock option plans

The following is the historical table of stock options granted:

Plans	2023	2022	2021	2020	2019	2018	2017	2016	2015
Date of the Shareholders' Meeting[1]	29/04/2022	29/04/2022	27/04/2018	27/04/2018	27/04/2018	27/04/2018	30/04/2014	30/04/2014	30/04/2014
Date of Board of Directors meeting	08/06/2023	08/06/2022	08/06/2021	09/06/2020	12/06/2019	12/06/2018	08/06/2017	09/06/2016	12/06/2015
Total number of shares available for subscription	261,865	184,990	208,441	837,236	364,662	370,591	399,794	608,665	581,420
Daniel Harari, Chairman and Chief Executive Officer	0	0	0	0	0	0	0	0	0
Starting date for the exercise of options	09/06/2027	09/06/2026	09/06/2025	10/06/2024	13/06/2023	13/06/2022	09/06/2021	10/06/2020	13/06/2019
Expiry date	07/06/2031	08/06/2030	08/06/2029	09/06/2028	12/06/2027	12/06/2026	09/06/2025	09/06/2024	12/06/2023
Subscription price (in euros)	28.25	38.50	33.50	18.00	22.50	22.25	28.25	14.50	13.75
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 31/12/2023	0	0	0	177	6,115	12,167	11,645	244,351	195,028
Cumulative number of subscription options cancelled or lapsed	12,053	19,685	23,910	119,186	354,869	354,839	386,125	313,555	386,392
Subscription options remaining in force at the end of the fiscal year	249,812	165,305	184,531	717,873	3,678	3,585	2,024	50,759	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.

8.6 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.

8.7 Lectra joins Euronext's CAC Mid 60 and SBF 120 indices

In joining these indices on September 15, 2023 Lectra entered a new phase that enhances its visibility with potential shareholders and customers in France and internationally.

The Company's shares are eligible for the Euronext Deferred Settlement Service (SRD), which allows French investors to defer settlement or delivery of shares.

In its press release of April 11, 2023, 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).

8.8 Share price performance and trading volumes

The market capitalization amounts to 1.18 billion euros at December 31, 2023 (1.33 billion euros at December 31, 2022). According to Bloomberg, 16.1 million shares were traded on all platforms in 2023 (19.8 million in 2022), including 35% on Euronext.

The Company's share price at December 31, 2023 was €31.25, down 11% compared to December 31, 2022 (€35.20). In 2023, it reached a low of €19.92 on October 26 and a high of €41.30 on January 18. In 2023, the indices CAC Mid 60, Euronext Tech Leaders and SBF 120, to which Lectra belongs, evolved by +2%, +8% and +15% respectively.

8.9 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 2023 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)*
Jérôme Viala Executive Vice President	February 13, 2023	Sale of shares	11,240	37.34	419,726

(1) Since 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.

8.10 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 Corporate 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.

9. Share repurchase program

9.1 Current share repurchase program

The Ordinary Shareholders' Meeting of April 28, 2023, 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 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.

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 80 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 5% of the share capital of the Company on the day of the Shareholders' Meeting held on April 28, 2023; this will be adjusted, if required, to take account of subsequent operations affecting the share capital, it being specified that the number of shares counted for the purpose of the above-mentioned 5% 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. At no time whatsoever shall the Company's purchases lead to the Company holding over 10% of the shares comprising the share capital.

9.2 Transactions by the Company on its own shares in 2023

Liquidity Agreement

Since 2012, the liquidity of transactions and the regularity of quotations of Lectra shares have been ensured through a Liquidity Agreement. Since September 2022, this Liquidity Agreement, signed in accordance with regulations and market practices recognized by the AMF, has been awarded to Natixis and ODDO BHF.

Under this Liquidity Agreement, in fiscal year 2023, the Company purchased 335,413 shares at an average price of €31.57 and sold 333,913 shares at an average price of €31.62.

Consequently, at December 31, 2023, the Company held 31,409 Lectra shares (or 0.08% of share capital), at a par value of €1.00, with an average purchase price of €28.16, entirely under the Liquidity Agreement, together with 431 thousand euros in cash and cash equivalents.

Share repurchases outside of the Liquidity Agreement

The Company did not repurchase any shares outside of the Liquidity Agreement between January 1, 2023 and the date of this Report.

Share cancellations

The Company did not cancel any shares between January 1, 2023, and the date of this Report.

9.3 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 26, 2024 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 60 euros per share (exclusive of acquisition-related costs).

This authorization may be used for a number of shares representing up to 2% of the share capital of the Company on the day of the Shareholders' Meeting held on April 26, 2024, in other words, by way of illustration, 756,031 shares on the basis of the share capital on December 31, 2023, allowing for subtraction of 31,409 shares held in treasury, for a maximum amount of 10 million euros, it being specified that the number of shares counted for the purpose of the above-mentioned 2% 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. 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 27, 2024. It would replace and supersede the authorization previously granted by the twelfth resolution of the Combined Shareholders' Meeting of April 28, 2023.

10. Signifiant post-closing events

On January 9, 2024, the Company announced the acquisition of the majority of the capital of the company Launchmetrics (see press release issued that date). The Launchmetrics accounts will be included in the Company's consolidated accounts as of January 23, 2024, date of which the acquisition was finalized.

The Company also entered into an agreement with its banks to replace, in June 2024, the loan initially taken out to finance the acquisition of Gerber Technology by a new loan for the remaining amount (100 million euros), repayable over five years.

11. Financial calendar 2024

The Annual Shareholders' Meeting will take place on April 26, 2024. First, second, and third quarter earnings for 2024 will be published on April 24, July 25, and October 30, 2024, respectively, after the close of trading on Euronext. Full-year earnings for 2024 will be published on February 12, 2025.

12. Business trends

While the 2023 full-year results were affected by the adverse environment, they also attest to the substantial improvement in the fundamentals of the Group's business model, which will have a positive impact on 2024 results.

Persistent macroeconomic and geopolitical uncertainties could nevertheless continue to weigh on investment decisions by the Group's customers.

While the most recent indicators seem to suggest that the situation is unlikely to deteriorate further, the timing and magnitude of a rebound in new system orders remain uncertain.

12.1 Outlook for 2024

To facilitate analysis, the accounts of Lectra excluding the Launchmetrics acquisition ("Lectra 2023 Scope") will be analysed separately from the Launchmetrics accounts in 2024.

The Group has based its 2024 objectives on the exchange rates in effect on December 29, 2023, in particular €1/$1.10. When converting 2023 results using the exchange rates retained for 2024, 2023 revenues are mechanically reduced by 4.7 million euros (to 472.9 million euros) and 2023 EBITDA before non-recurring items is reduced by 2.2 million euros (to 76.8 million euros). Thus, for the Lectra 2023 Scope, the comparisons between 2024 and 2023 printed below are based on constant exchange rates.

At this early stage of 2024, continuing low visibility regarding orders and revenues from new systems makes it impossible to predict the actual timing and scale of the future rebound in this area. On the other hand, visibility is high for recurring revenues, which accounted for 68% of total revenues in 2023 and will continue to grow in 2024.

In light of the above, Lectra has set as its objective for 2024, for the Lectra 2023 Scope, to achieve revenues in the range of 480 to 530 million euros (+2% to +12%) and EBITDA before non-recurring items in the range of 85 to 107 million euros (+10% to +40%).

The low end of the revenues range is based on the absence of a rebound in new systems orders, which would remain stable in 2024 relative to 2023, with a 6% decline in revenues from perpetual software licenses, equipment and accompanying software and non-recurring services, as the order backlog was lower on December 31, 2023 than a year before.

The high end of the revenues range reflects a gradual rebound in new systems orders, which at year-end 2024 would be back to year-end 2022 level.

In addition, Launchmetrics revenues (for the consolidation period of January 23, 2024 to December 31, 2024) are projected to be in the range of 42 to 46 million euros, with an EBITDA margin before non-recurring items of more than 15% (assuming an exchange rate of €1/$1.10).

12.2 Confidence in prospects for growth in the medium term

Bolstered by a robust business model and balance sheet, contributions from new products launched in recent years and others planned for the coming years, and by synergies achieved through the acquisitions of Gerber Technology, Neteven, Gemini CAD Systems, TextileGenesis and Launchmetrics, the Group is confident in its medium-term growth prospects.

The Board of Directors

February 28, 2024

13. Additional information - Consolidated financial statements

13.1 Orders for new systems – like-for-like[1]

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

By product line

Twelve Months Ended December 31

	2023			2022		Changes 2023 / 2022	
(in thousands of euros)	Actual	%	At 2022 exchange rates	Actual	%	Actual exchange rates	Like-for-like
Perpetual software licenses	13,962	10%	14,253	18,481	9%	-24%	-23%
Equipment and accompanying software	111,057	76%	114,160	161,095	80%	-31%	-29%
Training and consulting services	15,921	11%	16,237	17,963	9%	-11%	-10%
Miscellaneous	4,502	3%	4,593	4,919	2%	-8%	-7%
Total	145,442	100%	149,244	202,459	100%	-28%	-26%
€/$ average parity	*1.08*		*1.05*	*1.05*			

By region

Twelve Months Ended December 31

	2023			2022		Changes 2023 / 2022	
(in thousands of euros)	Actual	%	At 2022 exchange rates	Actual	%	Actual exchange rates	Like-for-like
Europe	39,819	27%	39,889	57,199	28%	-30%	-30%
Americas	40,006	28%	41,079	61,545	30%	-35%	-33%
Asia-Pacific	47,670	33%	49,869	64,225	32%	-26%	-22%
Other countries	17,947	12%	18,407	19,490	10%	-8%	-6%
Total	145,442	100%	149,244	202,459	100%	-28%	-26%
€/$ average parity	*1.08*		*1.05*	*1.05*			

By market

Twelve Months Ended December 31

	2023			2022		Changes 2023 / 2022	
(in thousands of euros)	Actual	%	At 2022 exchange rates	Actual	%	Actual exchange rates	Like-for-like
Fashion	73,705	51%	75,472	104,576	52%	-30%	-28%
Automotive	47,377	33%	48,766	59,727	30%	-21%	-18%
Furniture	15,165	10%	15,544	19,662	10%	-23%	-21%
Other industries	9,194	6%	9,462	18,494	9%	-50%	-49%
Total	145,442	100%	149,244	202,459	100%	-28%	-26%
€/$ average parity	*1.08*		*1.05*	*1.05*			

New software subscriptions

Twelve Months Ended December 31

	2023			2022		Changes 2023 / 2022	
(in thousands of euros)	Actual	%	At 2022 exchange rates	Actual	%	Actual exchange rates	Like-for-like
Annual value of new software subscriptions	10,809	na	11,048	9,570	na	+13%	+15%
€/$ average parity	*1.08*		*1.05*	*1.05*			

(1) As the impact of the acquisition of TextileGenesis on the financial statements for 2023 is not material, like-for-like changes exclude only the variations in exchange rates.

13.2 Breakdown of revenues – like-for-like[1]

Revenues by region

	Twelve Months Ended December 31						
	2023			2022		Changes 2023/2022	
(in thousands of euros)	Actual	%	At 2022 exchange rates	Actual	%	Actual exchange rates	Like-for-like
Europe, of which:	156,202	33%	156,486	159,065	31%	-2%	-2%
- France	25,599	5%	25,596	27,185	5%	-6%	-6%
Americas	171,452	36%	175,915	189,737	36%	-10%	-7%
Asia-Pacific	109,620	23%	115,062	132,805	25%	-17%	-13%
Other countries	40,305	8%	41,329	40,326	8%	-0%	+2%
Total	477,579	100%	488,793	521,934	100%	-8%	-6%
€/$ average parity	*1.08*		*1.05*	*1.05*			

Revenues by type of business

	Twelve Months Ended December 31						
	2023			2022		Changes 2023/2022	
(in thousands of euros)	Actual	%	At 2022 exchange rates	Actual	%	Actual exchange rates	Like-for-like
Revenues from perpetual software licenses, equipment and accompanying software, and non-recurring services, of which:	154,347	32%	157,859	208,845	40%	-26%	-24%
- perpetual software licenses	13,813	3%	14,070	18,365	4%	-25%	-23%
- equipment and accompanying software	118,772	25%	121,661	170,220	33%	-30%	-29%
- training and consulting services	17,260	3%	17,535	15,341	3%	+13%	+14%
- miscellaneous	4,502	1%	4,593	4,919	1%	-8%	-7%
Recurring revenues, of which:	323,232	68%	330,934	313,089	60%	+3%	+6%
- software subscriptions	30,381	6%	30,893	20,967	4%	+45%	+47%
- software maintenance contracts	53,633	11%	54,576	52,852	10%	+1%	+3%
- Equipment and accompanying software maintenance contracts	97,284	21%	99,903	94,620	18%	+3%	+6%
- consumables and parts	141,934	30%	145,563	144,651	28%	-2%	+1%
Total	477,579	100%	488,793	521,934	100%	-8%	-6%
€/$ average parity	*1.08*		*1.05*	*1.05*			

(1) As the impact of the acquisition of TextileGenesis on the financial statements for 2023 is not material, like-for-like changes exclude only the variations in exchange rates.

13.3 Consolidated income statement – like-for-like[1]

	Twelve Months Ended December 31				
	2023		2022	Changes 2023/2022	
(in thousands of euros)	Actual	At 2022 exchange rates	Actual	Actual exchange rates	Like-for-like
Revenues	477,579	488,793	521,934	-8%	-6%
Cost of goods sold	(144,402)	(146,288)	(174,251)	-17%	-16%
Gross profit	333,177	342,505	347,684	-4%	-1%
(in % of revenues)	69.8%	70.1%	66.6%	+3.2 points	+3.5 points
Research and development	(51,301)	(52,153)	(45,810)	+12%	+14%
Selling, general and administrative expenses	(232,824)	(237,164)	(233,389)	-0%	+2%
Income from operations before non-recurring items	49,052	53,187	68,485	-28%	-22%
(in % of revenues)	10.3%	10.9%	13.1%	-2.8 points	-2.2 points
Non-recurring income	5,174	5,174	-	na	na
Non-recurring expenses	(5,777)	(5,813)	(4,024)	+44%	+44%
Income from operations	48,450	52,549	64,461	-25%	-18%
(in % of revenues)	10.1%	10.8%	12.4%	-2.3 points	-1.6 point
Income before tax	43,968	48,040	58,965	-25%	-19%
Income tax	(11,354)	na	(15,137)	-25%	na
Net income	**32,615**	na	43,828	**-26%**	na
of which, Group share	**33,904**	na	44,386	**-24%**	na
of which, Non-controlling interests	(1,289)	na	(558)	na	na
Income from operations before non-recurring items	49,052	53,187	68,485	-28%	-22%
+ Net depreciation and amortization of non-current assets	29,966	30,599	29,882	+0%	+2%
EBITDA before non-recurring items	79,018	83,786	98,367	-20%	-15%
(in % of revenues)	16.5%	17.1%	18.8%	-2.3 points	-1.7 point
€/$ average parity	*1.08*	*1.05*	*1.05*		

(1) As the impact of the acquisition of TextileGenesis on the financial statements for 2023 is not material, like-for-like changes exclude only the variations in exchange rates.

02 NON-FINANCIAL STATEMENT

Message from the Chairman and Chief Executive Officer

1973—2023. For fifty years, we have done our utmost to be a socially responsible company.

We are guided by a common purpose: to always go further — for our customers, for our employees and for the Group as a whole. We have founded our corporate development on integrity, ethics, employee well-being and continuous innovation — with an emphasis on sustainability, on managing and reducing the ecological impact of our activities. Since 2022, our approach to CSR has been fully integrated into our strategy.

This explains our decision in 2023 to join the UN Global Compact, the world's largest corporate sustainability initiative, and to affirm our adherence to the Ten Principles of the Compact in the areas of human rights, labor, the environment and the fight against corruption.

With the 12 commitments that we made in 2023, we demonstrate our determination to make CSR a central pillar of our strategy. Our ambition is to meet all current and future challenges — by maintaining the highest standards in the areas where we excel; by implementing continuous improvement plans to adapt to a constantly changing environment; and by investing in new areas.

SUMMARY

Appendix

1. About this Non-financial Statement

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.

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 years 2021, 2022 and 2023.

1.1 Governance

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

Governance was already strengthened in 2022, with the creation of the CSR Committee of the Board of Directors, which examines the CSR policy and action plan, and submits its recommendations to the Board of Directors for its approval.

In January 2023, CSR objectives were set for each member of the Executive Committee and integrated into the Lectra teams' 2023-2025 action plans. Moreover, the variable compensation of the Chairman and Chief Executive Officer now incorporates CSR criteria that contribute directly to the Group's social, societal and environmental strategy.

In October 2023, the General Secretary, a member of the Executive Committee, was named CSR referent and a Vice President Sustainability was appointed. They coordinate the various CSR projects, which are placed under the responsibility of cross-divisional teams made up mainly of members of the Industrial Operations Department, the Finance Department, the Legal Department, the Human Resources Department, the Strategy Department and Facility Management.

The present Non-financial Statement was examined by the CSR Committee on January 22, 2024 and then by the Audit Committee on February 27, 2024, prior to the Board of Directors meeting on February 28, which finalized its content.

1.2 Scope

The scope of the Group changed significantly in 2021, primarily through the acquisition of Gerber Technology ("**Gerber**"), a major player operating in the same markets.

All Group data covered by this non-financial report relates to the entire scope of the Group at January 1, 2023. It includes TextileGenesis, the company acquired in January 2023, but excludes the new industrial site created on December 1, 2023, Suzhou Lectra Equipment Manufacturing.

Some indicators are limited to the industrial sites ("**the Industrial scope**") of Bordeaux-Cestas (France), and Tolland (United States), the impact of the other sites being insignificant: accident frequency and severity rates, waste volumes, energy and water consumption, and freight transport.

1.3 Data collection

The process for the collection, consolidation, processing and analysis of corporate social, societal and environmental information is organized in two stages: (1) reporting protocols are sent to the teams whose data are relevant for preparing the Non-financial Statement and (2) information is reported and data are consolidated.

Data for 2023 are compared to data for the two previous years, whenever available, to enable a better analysis of changes over time.

In addition, each year the independent third-party conducts audits on selected sites, and verifies the consolidation process and the information stated in the NFS.

2. Principal risks and challenges in the area of social, societal and environmental responsibility

In light of the significant change in its scope and the geopolitical environment, the Group carried out a new risk mapping exercise, including a mapping of risks relating specifically to corruption, at the end of 2022, which was carried out by the consulting company Protiviti. These risks are described in chapter 3 of the Management Discussion. This risk mapping exercise was updated by the Company in 2023.

To confirm the priority social, societal and environmental risks and challenges, as they relate to stakeholders' expectations, at the end of 2022 the Group also conducted a new materiality analysis, with assistance from the CSR consulting company Tennaxia.

The principal social, societal and environmental challenges, together with the actions implemented as part of the CSR process, and the indicators for monitoring, are set out in the materiality matrix, which is appended to this report, and in the Business Model.

2.1 Materiality analysis

As part of the materiality analysis conducted in 2022, Lectra sought to consider the expectations of all stakeholders. Over thirty qualitative interviews helped to identify the most strategic CSR challenges for the stakeholders interviewed, in terms of the level of risk, impact and degree of risk control. Additionally, an online survey intended for managers provided information on the views of internal stakeholders, to fine-tune the ranking of the CSR challenges. A summary of this analysis can be found in the matrix presented in the appendixes.

The challenges regarding "Data protection and cybersecurity," which are identified in the materiality analysis, have been considered to be risks related to the Group's business and are described in the section on risks in the Management Discussion.

Regarding risks relating to human rights, following the work conducted in 2022, the Group determined that such risks were limited to the supply and subcontracting chain. These risks are therefore considered with the challenges relating to responsible purchasing and taken into account in the Responsible Purchasing Charter and the training program for buyers (chapter 4.2).

At December 31, 2023, the Group's double materiality analysis is still ongoing and will be published in the 2024 report.

2.2 Exclusions

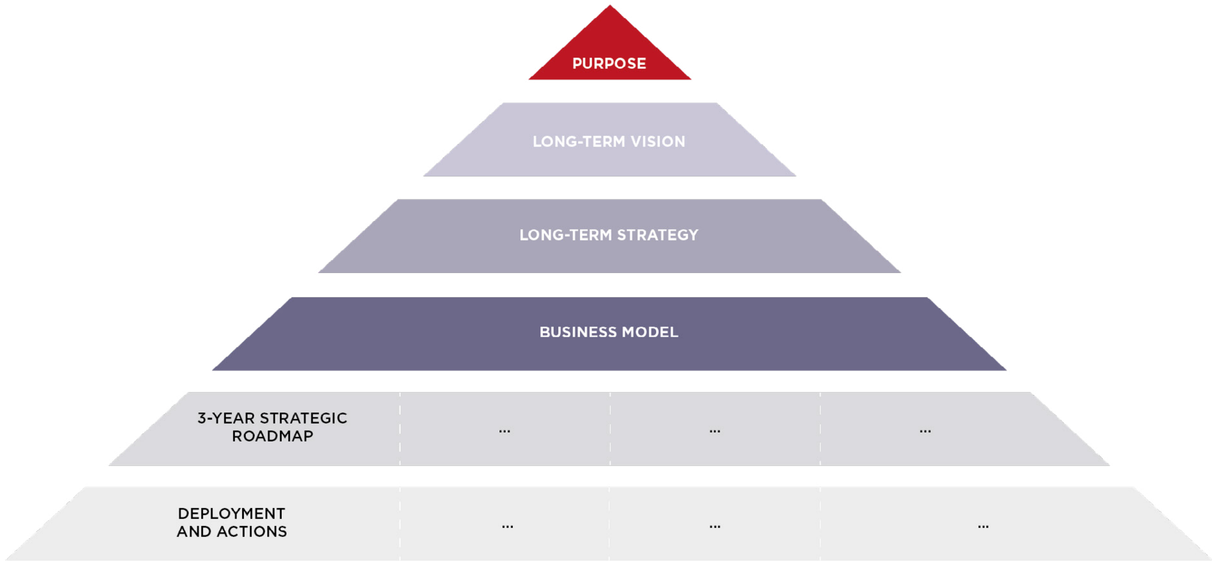
This report sets out only the relevant information regarding the Group's activity, identified challenges, and policies implemented. In cases for which the Group does not have a specific risk prevention policy, explanations are provided.

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 fight against food insecurity; respect for animal welfare, for responsible, equitable and sustainable food, and the fight against food waste, are not relevant to the Group, in light of its activity. Similarly, the themes related to the promotion of physical and sports activities added by Act 2022-296 of March 2, 2022 are also outside the scope of the Group's activities and are excluded, as are the link between the nation and its armed forces and support for enlistment in the reserves.

3. A virtuous business model

As a major player in the fashion, automotive and furniture markets, Lectra contributes to the development of Industry 4.0.

For 50 years, with innovation in its DNA, Lectra has consistently proven its resilience and provided customers with a state-of-the-art offer. This is part of its mission of providing support to customers, built upon a long-term vision and a long-term strategy, a source of value creation, and strong commitment to corporate social and environmental responsibility.



3.1 Purpose: contribute to the Industry 4.0 revolution with boldness and passion by providing best-in-class technologies

Lectra's three strategic market sectors are undergoing profound changes. To remain competitive, Lectra's customers must continue their digital transformation – onboarding Industry 4.0 technologies to master the fourth industrial revolution. Lectra aims to accompany them on this path with boldness and passion.

To accomplish this, the Group addresses the complex issues of product design, optimization of customers' production processes, and management of online sales with an offer that combines software, equipment, data and services.

Since 2022, this promise is formalized in a single phrase: "*Pushing boundaries together to unlock your potential*".

3.2 A long-term vision: value will be derived from connections between people, ideas, data and solutions

The transformation towards Industry 4.0 is vital to the Group's customers, enabling them to meet their challenges and prosper in a constantly changing world. To unlock this potential, companies must prioritize connecting creation, manufacturing and marketing sites, whether real or virtual.

For Lectra, this creates an unprecedented opportunity, epitomized by "*Big things happen when you connect*", as Industry 4.0 encourages growing numbers of customers to create fully digital value chains around products to meet consumer expectations.

3.3 A long-term strategy, source of value creation

In 2017, Lectra launched its Lectra 4.0 strategy with the aim of positioning Lectra as an indispensable player in Industry 4.0 in its market sectors between now and 2030. Through the end of 2022, this strategy was based on four pillars: premium positioning, focus on three strategic market sectors, integration of customers into the heart of the Group's activities, and the market launch of new 4.0 services. In 2023, Lectra added a fifth pillar to its strategy: "A committed CSR policy", which is now incorporated in its business model, its 2023-2025 strategic roadmap and the strategic initiatives for all the teams in the Group.

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

The first strategic roadmap (2017-2019) laid the foundations for the Lectra 4.0 strategy, notably by introducing offers for Industry 4.0, and was successfully completed.

The second strategic roadmap (2020-2022), which aimed to capture the full potential of new offers for Industry 4.0, while ensuring sustainable and profitable business growth, was also a success. As part of this second strategic roadmap, Lectra put in place a structured CSR policy fully consistent with its strategy and fundamental identity. Reflection on the policy's impact in terms of sustainable development, social responsibility and ethics led to the identification of a number of challenges and opportunities for the Group, and to an evolution in the business model.

On the strength of this vision, the Company's purpose, its strategy and its values, Lectra adopted a new tagline in 2022: "We pioneer. You lead".

3.4 Strong financial fundamentals that enable Lectra to steer a long-term course, despite any temporary headwinds

Lectra's growth is built on strong foundations:

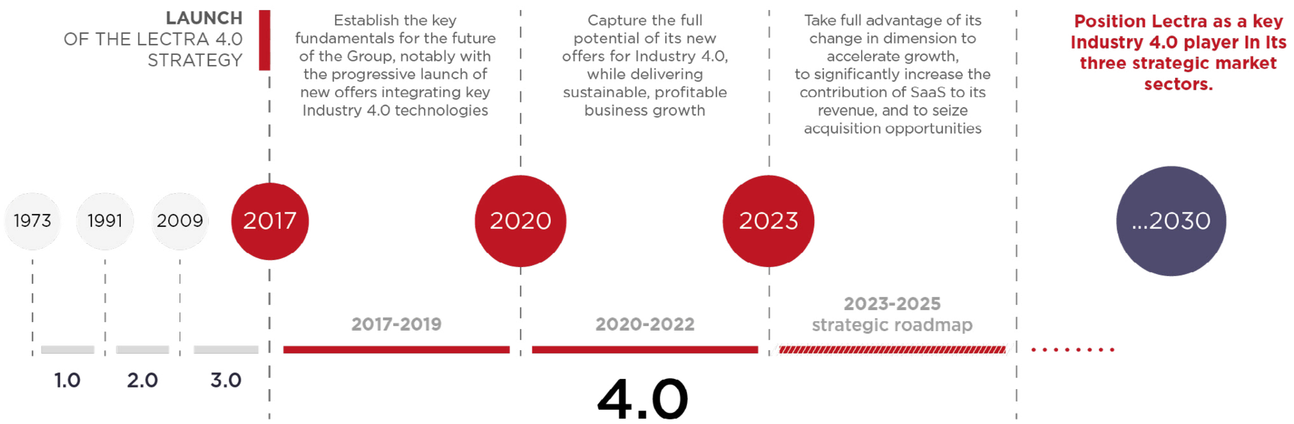
- well-established governance structured around five specialized Committees of the Board of Directors;
- sustainability as a core value in developing the Group's offers and in managing its sites;
- outstanding human capital with 63 nationalities and more than 2,500 employees;
- technological capital based on a strong policy for intellectual property, 30 patent families, 83 brands and one innovation center.
- Furthermore, the Group's financial fundamentals are particularly strong (see Annual Report, chapter 1). Highlights include the following:
- consolidated shareholders' equity at December 31, 2023 amounted to 418 million euros, with a positive net cash position of 16.9 million euros;
- the working capital requirement has been negative for many years;
- each year, the Group generates significant free cash flow, which exceeds net income, and enables funding for new acquisitions;
- the gross margin on recurring operations covered over 90% of fixed overhead costs (including R&D costs, which were fully expensed in the year).

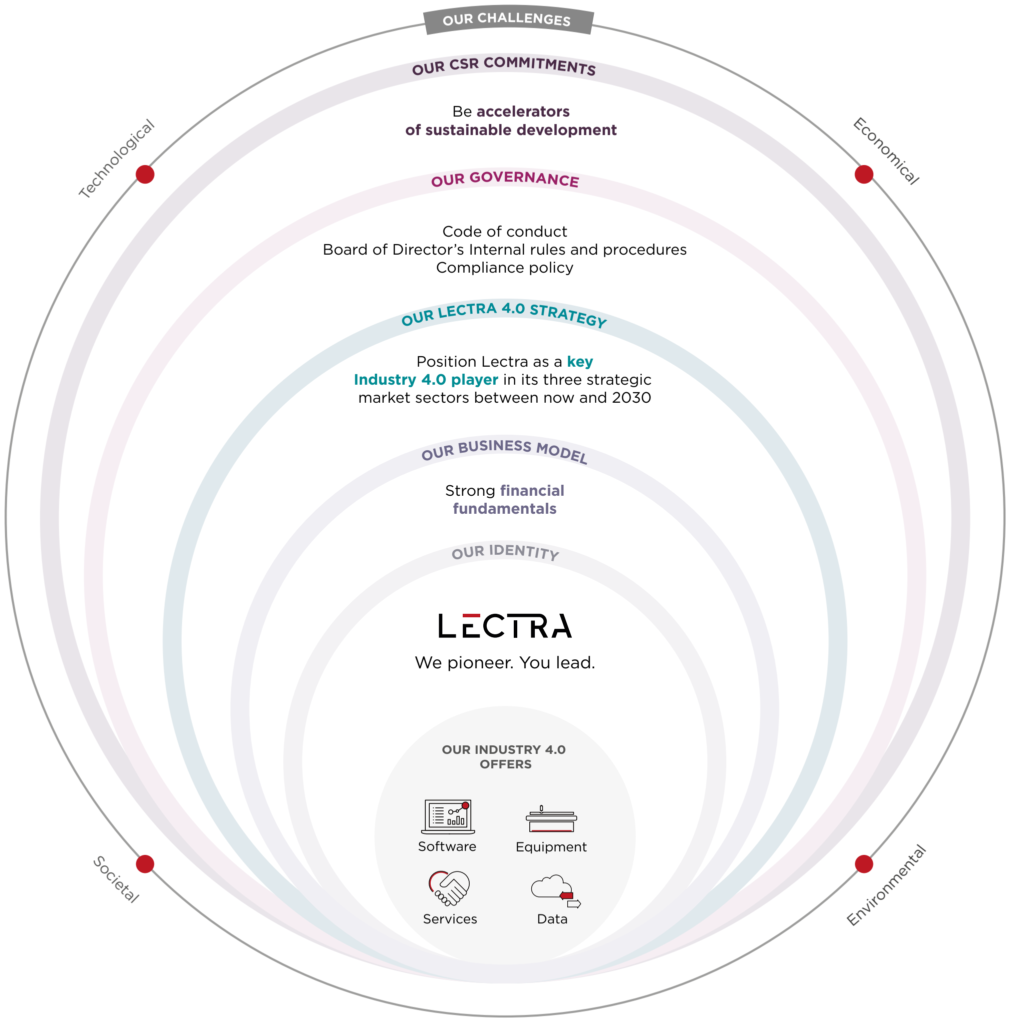
This situation enables Lectra to implement a long-term strategy and to steer a steady course, irrespective of any short-term headwinds – a clear advantage in today's geopolitical and macroeconomic environment.

3.5 CSR at the heart of the 2023-2025 roadmap

In 2022, reflection on Lectra's social, societal and environmental responsibility gained momentum, and has led to the identification of a number of challenges facing the Group (map in appendixes). These challenges are analyzed in terms of risks and opportunities.

The 2023-2025 strategic roadmap, described in chapter 12 of the Management Discussion, includes a continuous improvement plan and multiple action plans to move forward with eco-responsible offers and to promote an inclusive, diverse and vibrant work culture.





OUR CSR COMMITMENTS

- To respect the **highest ethical standards**
- To design **eco-responsible offers**
- To promote an **inclusive, diverse and vibrant work culture**
- To reduce the **environmental footprint** of our activities
- To provide support to the **next generation**

OUR GOVERNANCE

BOARD OF DIRECTORS:

- **Eight** Directors (four men, four women)
- **Six** Independent Directors out of eight
- **Five** Specialized committees: Audit, Compensation, Nominations, Strategy, and CSR
- Chairman: Daniel Harari, who also serves as Lectra Chief Executive Officer
- Directors elected for 4-years, staggered terms
- Position of Lead Director created in 2017

OUR LECTRA 4.0 STRATEGY

FIVE PILLARS:

- **Premium** positioning
- Focus on **three strategic market sectors:** fashion, automotive and furniture
- Customer focus
- New 4.0 services
- A committed **CSR policy**

OUR BUSINESS MODEL

- Negative working capital requirement
- Recurring revenues exceeding **60%** of total revenues
- Over **90% of annual fixed overhead costs** covered by gross profit generated by recurring revenues

OUR IDENTITY

- **Our purpose:** contribute to the Industry 4.0 revolution with boldness and passion by providing best-in-class technologies.
- **Our vision:** big things happen when we connect.
- **Our promise:** pushing boundaries together to unlock your potential
- **Our values: being open-minded thinkers, trusted partners and passionate innovators**

Action areas	Commitment	Resources and implementation	Results achieved (including KPIs) Key indicators in blue	2024-2025 objectives
Highest ethical standards	**Uncompromising business ethics**	■ **Code of Conduct** to fight corruption and influence peddling. ■ **Regular employee training campaigns on business ethics**, using an e-learning program. ■ Strict processes for **sales contracts.**	→ **No complaints for violation of ethical standards since Lectra was founded in 1973.** → **Only one alert in 2023 that resulted in no complaint.** → **96% of employees trained on business ethics between 2021 and 2023.**	→ Maintain level of excellence in business ethics.
	Responsible purchasing policy	■ In relations with industrial suppliers, taking into account their **level of social, societal and environmental responsibility.** ■ **Lectra Responsible Purchasing Charter** introduced in 2011, updated and distributed in 2023. ■ **Responsible Purchasing Charter issued by the French Buyers Association** signed in 2021. ■ The Group's industrial activities rely on an international network of over **750 industrial suppliers** primarily located in the same countries as the production sites, or in nearby countries. ■ Training of Lectra buyers.	→ **93% of industrial purchasing by the group Lectra covered by a responsible purchasing charter.**	→ Deploy the new responsible purchasing charter to 95% of the Group's industrial suppliers by 2025.
Eco-responsible offers	**Eco-designed offers**	■ **Sustainability at the heart of our reflections**, from the earliest development phase of our solutions onward. ■ Over 11.7% of revenues invested in research and development every year, **586-strong R&D staff** (including external personnel). ■ High technological capital: **86** brands, **31** families of patents, **two** innovation centers, **one** secured worldwide data center. ■ The only company in the industry with **three manufacturing sites: China, United States and France.** Progressive shift to local production of most solutions. ■ **Optimized transport:** equipment already assembled, delivery consolidation, lowest-carbon routes, priority to maritime transport. ■ Equipment co-designed with **local suppliers.** ■ **Life cycle analysis** of each new range of equipment eco-designed to assess environmental impacts. ■ Training for teams.	→ **All R&D programs for equipment launched since 2022 incorporate eco-design rules; and the first products based on this approach were marketed in 2023.** → **An eco-design charter implemented in 2023.** → **The latest generation of equipment consumes up to 35% less energy than the previous generation.**	→ Improve eco-design process for equipment. → Extend eco-design to software offers.
	Products and services that contribute to reducing companies' impact on the environment	■ **Dedicated solutions for design, development, collaboration and production planning:** considerable reduction in physical prototypes and facilitation of remote collaboration. ■ Cutting rooms with **built-in scanners, advanced sensor technology and long-life consumables.** ■ **Preventive maintenance**, with longer intervals between scheduled maintenance. ■ Priority to **remote maintenance.** ■ **Continuous improvement of equipment** to reduce waste. ■ Reduced use of consumables. ■ Development of **On Demand production** to enable manufacturing after orders are placed. ■ Development of **cloud-based software** to reduce server requirements.	→ **Optimizing material consumption.** → **86% of maintenance operations performed remotely for Lectra-brand and 55% for Gerber-brand equipment, due to differences in technology used.** → **Over 8,100 Industry 4.0 compatible cutter equipment connected and monitored remotely operating worldwide.** → **5.3% of Lectra revenues from taxonomy-eligible activities.** → **Group FSC certification in September 2023.**	→ Develop dashboards and services including environmental criteria for eco-responsible cutting room management. → Service processes to include systematic support to help customers reduce their environmental impact.
	Safe, accessible, easy-to-use offers	■ Development of equipment with **high-performance safety systems** that exceed legal requirements. ■ Implementation of a **world-wide Group information systems security policy.** ■ Revision of the **IT Charter**, deployed internationally. ■ **CE type certification for the new numerical control system**, designed entirely in-house. ■ Since 2018, new cutters incorporate a **motion detection system** that provides for immediate emergency shutdown in the event of inappropriate user behavior. ■ Regular preventive audits. ■ International deployment of Customer Success organization: **six** international experience centers and **12** expertise centers.	→ **Improved operator safety on customers' production sites.** → **20% of cutters sold with motion detection system.** → **89% of Group employees took at least one course in data security in 2023.** → **44 requests to exercise rights treated in 2023, in average time of 4 days.**	→ Maintain leadership in safety. → Track the 2023-2025 cybersecurity roadmap.

Action areas	Commitment	Resources and implementation	Results achieved (including KPIs) Key indicators in blue	2024-2025 objectives
An inclusive, diverse and vibrant work culture	**Equal opportunities for all, and zero tolerance for discrimination or harassment**	■ **Gender equality** is a deeply rooted Lectra value. ■ Labor agreement and/or plan of action on **gender equality.** ■ Action plan for gender mix in management bodies. ■ **Respect for the fundamental conventions** of the International Labour Organization (ILO), the United Nations, OECD, the Global Compact, and the provisions of human rights conventions. ■ **2,578 employees** with **63 nationalities.**	→ **75% positive response rate to the question on "Respect for diversity and differences" in employee engagement survey.** → **Balance between women and men on the Board of Directors.** → **31% of Executive Committee members are women.** → **29% women in Group-level management bodies.** → **98/100 score on the official gender equality index in France.** → **Strong culture of openness to others.**	→ Code of Conduct. → Whistleblowing procedure. → Internal training plans.
	A work environment that favors employee engagement	■ Involvement of all employees in determining and improving their working environment through **employee satisfaction surveys.** ■ Enabling employees to share in the company's success from day one. ■ Deployment of a culture that fosters engagement: **The Lectra Way.** ■ **Variable compensation component** and **stock option plan.** ■ Recognition of success. ■ Vibrant workplace environment. ■ Rewarding assignments. ■ Support for **internal mobility.**	→ **In 2023, the *Your Voice* survey had a very strong 80% participation rate.** → **Following the survey, Lectra teams developed and rolled out action plans to promote engagement by all members of the organization.** → ***Your Voice* survey: teams' engagement rate very significant: 65%.** → **Willingness to recommend Lectra as a good place to work: 66%.** → **16% of open positions covered by internal mobility.** → **Only 7% of departures at the initiative of employees with permanent contracts.**	→ Improve the work environment, with an overall action plan and specific action plans for each team. → Redefine the employer brand.
	Work-life balance	■ Strong consideration to the quality of life of employees at work and, more broadly, to overall quality of life, with improved **work/life balance.** ■ **Promotion of full-time contracts**, except if requested by employees. ■ Commitment **not to resort to work at night.** ■ Consensus-based organization of two-shift operations in the manufacturing workshop. ■ Organization of **regular teleworking.**	→ **The Group is proud of the 68% positive response rate to the question on "Balance between work life and personal life" in *Your Voice* survey.** → **Appropriate working conditions in offices, in production sites and for teleworking, provide an environment for employees to be productive.** → **Deployment of a teleworking policy in Europe and in the Americas.**	→ Review teleworking policy to adjust to each business area. → Implement measures to ensure the "right to disconnect".
	Long-term development of talents, team expertise, and career paths	■ **Internal promotion** and preparation of employees to take on their future responsibilities. ■ **Training employees to enhance their knowledge and skills**, encouraging their mobility within the Group. ■ Training budget of **3.6 million euros.** ■ **Continuous feedback** on individual performance. ■ **Onboarding of new employees** and expansion of **continuous training.** ■ Worldwide deployment of **co-optation program.** ■ Ambitious recruitment policy.	→ **100% of employees having taken at least one training course in the year.** → **Lectra Together, the onboarding program — both at Bordeaux-Cestas and virtual — open to all new employees in the Group.** → **Targeted training programs for employees in Sales and Customer Success, created by the Sales Effectiveness and Customer Success Enablement teams.** → **48.448 hours of training delivered.**	→ Continuous improvement and expand training plans for teams to build their expertise in Industry 4.0 technologies.

Action areas	Commitment	Resources and implementation	Results achieved (including KPIs) Key indicators in blue	2024-2025 objectives
	Guaranteed employee health and safety	■ Careful consideration to site layout and **audits at technical facilities**, such as factories and R&D laboratories, conducted by safety engineers at regular intervals. ■ **Improvement in working conditions** (renovation work at the Bordeaux-Cestas and Tolland industrial sites). ■ Employee surveys that facilitate dialogue and help to establish a new culture based on **listening, collaboration, and continuous improvement.**	→ **Healthy, safe and pleasant working conditions for employees, with a focus on those working in technical facilities.** → **Human resources policy developed with insight from employee surveys.** → **Formal statement of commitments and action plans to provide a precise framework for all managers.** → **Frequency rates of 3.59 accidents per million hours worked and 0.17 days of temporary disability per thousand hours worked, respectively 5 and 8 times lower than the average indicators for French companies, as published on the Ameli website.**	→ Maintain level of excellence on the Bordeaux-Cestas industrial site. → Deploy the same measures on the other industrial sites.
Reducing the environmental impact	**A virtuous, resilient industrial model**	■ Commitment and continuous actions to **limit the environmental impact of operations**, including for newly acquired companies. ■ **Environmental management system** providing the framework for operations. ■ Limiting single-use plastic in our logistics operations. ■ More environmentally sustainable policy for employee travel. ■ Improved **energy efficiency** in the Group's industrial sites.	→ **Industrial scope: 66% of waste recycled.** → **18% reduction in CO_2 emissions (scopes 1 and 2) : 3,449 t.CO_2-eq.** → **Group's 2023 CO_2 emissions (scopes 1, 2 and 3) based on 2022 data: around 1 million of t.CO_2-eq.** → **9% reduction in electricity consumption at industrial sites in 2023.** → **15% reduction in average emissions by the Group's vehicle fleet.** → **2023 awards: 66 out of 100 for Environment in the 2023 EthiFinance ESG Ratings (+20 points vs. 2022).** → **50 out of 100 for Environment in the 2023 EcoVadis Ratings (+10 points vs. 2022).**	→ Deploy all Bordeaux-Cestas best practices at Tolland. → 80% waste recyclable. → Creation of an ambitious climate plan for the coming years. → Deploy action plans on the scopes with the greatest impact.
Support for the next generation of professionals	**A contribution to training the next generation of fashion professionals**	■ **Sharing knowledge and expertise**, along with licenses and support for our solutions to help future professionals to **develop their skills and employability.** ■ Over **100,000 licenses** provided free of charge to students across the world. ■ Support for faculty in **training students.**	→ **Support for more than 2,000 partner schools and universities, with software licenses.** → **Helping emerging creative talent to show their work to industry professionals by supporting competitions and fashion parades with design schools.**	→ Implement a program to support students in fashion design schools and during the initial years of their careers.

3.6 Recognition by non-financial rating specialists

To ensure objective recognition of its CSR policy, the Group has decided 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 recent years, Lectra reports constantly improving results:

	2023	2022	Previous score
Ecovadis	**57/100 (Bronze level)**	**55/100**	**44/100**
EthiFinance ESG Rating (ex Gaia Research)	**74/100 (Gold level)**	**67/100***	**66/100**

*Value restated by new methodology adopted by EthiFinance ESG Ratings (formerly Gaïa Research) retroactive to 2022

4. The highest ethical standards

We are committed to uncompromising business ethics.

At Lectra, respect for the highest ethical standards is not negotiable and the Group has never been the subject of any complaint in this area. 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, the Group has established a strong culture based on fair practices and respect for fundamental values in its interactions with all stakeholders.

4.1 Uncompromising business ethics

Lectra is firmly committed to the highest ethical standards and recognizes the loyalty and trust that customers have always placed in it. This awareness is all the stronger because some of the Group's activities take place in countries identified by Transparency International, the non-governmental organization, as being at risk.

The Group has deployed a robust anti-corruption system since 2018. Lectra's commitment to business ethics is evidenced, for instance, in its three anti-corruption instruments: the Code of Conduct; the whistleblowing program; and the annual program of internal communication and training in business ethics. These instruments were developed in parallel with a risk mapping exercise specific to corruption (presented in the appendixes), conducted by an outside consultant. A further review of the risk map at the end of 2022 by the consulting company Protiviti, with assistance from a specialized lawyer, identified potential areas for improvement.

4.1.1. 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 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 forbids Lectra's employees, inter alia, from using the Group's funds or assets for bribes or kickbacks, from making 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. It also sets out the whistleblowing system and procedure.

4.1.2. 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 in that it covers 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. Any employee having personal knowledge of reportable information is able to make a report confidentially or anonymously.

A committee comprising the Chairman and Chief Executive Officer, the General Secretary (who acts as Compliance Officer), the Vice President Sustainability, the Compliance Officer and, depending on the nature of the alert, the member of the Executive Committee 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.

Only one whistleblowing alert was reported in 2023 and it did not give rise to any complaint or follow-up after being examined by the committee.

4.1.3. Annual program of internal communication and training in business ethics

To ensure the effective deployment of this program, Lectra has put in place a dedicated section on the Group's intranet containing all the documents, including the Code of Conduct, the whistleblowing procedure and practical information, as well as a compulsory e-learning module, with a test to ensure proper understanding of business ethics. The main educational objectives of this e-learning module are for employees to understand what is involved in corruption and influence peddling; the penalties for corruption, and an employee's obligations; how to express concerns or report risky situations; how to recognize and avoid the risk of corruption; and how to react when faced with risks of corruption.

96% of the Group's workforce, followed a training course in business ethics between 2021 and 2023. This is followed up each year by an additional program of initial training or refresher course.

4.1.4. Strict processes for sales contracts

Lectra has had in place for many years a strict procedure to regulate sales practices, supervise the negotiation and signing of contracts, and has adapted its contractual clauses to reinforce ethical considerations.

Between 2020 and 2022, the Group redefined its contractual relations with the vast majority of agents in its network in order to harmonize and strengthen its ethical requirements, and to standardize practices throughout the Group.

Objective for 2023-2025: maintain the same level of excellence regarding business ethics.

4.2 Responsible purchasing policy

We are committed to a responsible purchasing policy.

As part of the roll-out of its 4.0 strategy, Lectra is supported by a solid network of suppliers who play an essential role in the success of this strategy. Lectra and suppliers share fair and equitable practices, while establishing sustainable and balanced relationships. Lectra's 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.

A responsible purchasing policy has been in place for many years to bring innovation and ensure premium products and services in line with Lectra's 4.0 strategy, satisfy customer demand, reduce social and environmental risks and impacts, improve business performance, and enhance the quality and efficiency of supplier relations.

The Group 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: (1) to select innovative suppliers taking total costs into account; (2) to promote local subcontracting; (3) to establish long-term relationships based on trust; (4) to ensure financial fairness; and (5) 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.

In November 2021, the Group 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.

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

At the end of 2022, the Group formalized a new purchasing charter (the Responsible and Sustainable Purchasing Charter) to accelerate its commitments and share them with its suppliers. This charter sets out Lectra's objectives vis-à-vis suppliers, together with the expected level of conformity by suppliers and their partners. Deployment of this charter, which is tracked through a series of indicators, began in 2023.

Finally, the Group favors industrial partnerships close to its production sites to reduce its carbon footprint, and relies on partners who conform to environmental and labor standards, which provides assurance of a high level of performance and integrity.

Historically, this has been the case at Bordeaux-Cestas (France). Since August 2022, it has also been the case at Tolland (Connecticut, United States), following the Group's move to in-house direct manufacturing of Gerber brand products, which were previously outsourced in the United States (20% of equipment sales), with a policy of sourcing predominantly from American suppliers.

In addition, at the end of 2023, Lectra created in China the company, Lectra Suzhou Equipment Manufacturing, to in-house production that was previously outsourced, thereby taking on the company VDL's site, assets and personnel. Lectra intends to apply the same responsible, sustainable purchasing policies and practices at this new industrial site.

The Group's business activities thus rely on an international network of over 750 suppliers primarily located in the same countries as the production sites, or in nearby countries.

Objective for 2023-2025: deploy the new Responsible and Sustainable Purchasing Charter for all industrial suppliers to the Group.

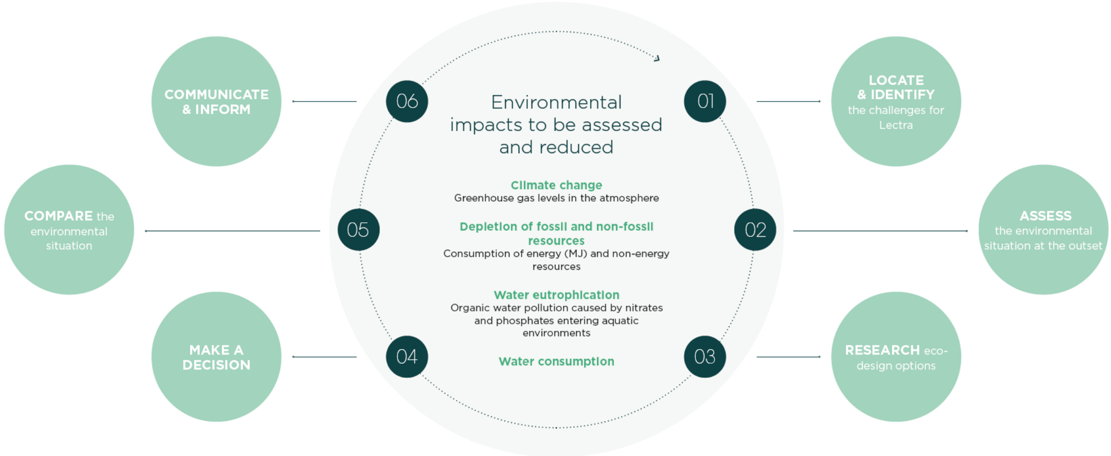
Indicators tracked

Percentage of industrial purchases aligned with Lectra's Responsible and Sustainable Purchasing Charter (in %)		2023	2022	2021	2020
2023 New Responsible and Sustainable Purchasing Charter and/or 2011 Responsible Purchasing Charter	Group	**93%**	54%	na	na
	Lectra brand	**99%**	98%	88%	na
2023 New Responsible and Sustainable Purchasing Charter	Group	**75%**	na	na	na
	Lectra brand	**73%**	na	na	na

5. Eco-responsible offers

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. Lectra's offers respond to a strong efficiency challenge, at the crossroads of economic, social, societal and environmental considerations.

Three of the most fundamental aspects of the value proposition, material traceability, 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.



At Lectra, **eco-design is...**

innovative • optimized • collaborative • multidisciplinary • conscious of environmental issues • attentive to users' needs • inspired by Industry 4.0

5.1 Eco-design of products

We commit to eco-designing our offers.

Sustainability is a key focus of Lectra's reflections, from the earliest phases of developing solutions.

In 2021, Lectra conducted a diagnostic study into eco-design with a specialized consulting company, Apesa, and support from the French government's Agency for Ecological Transition (ADEME). The study sought to quantify all the environmental impacts of Lectra's solutions over their life cycles, to identify the most significant potential eco-design drivers and actions, and to implement actions to reduce the environmental footprint.

For example, each new generation of equipment is systematically analyzed through a Life Cycle Analysis (LCA) to identify, quantify and reduce environmental impacts across all phases of the lifetime of the equipment. By applying this methodology, the R&D teams can focus their design efforts on elements with the greatest impact on greenhouse gas emissions, e.g., optimizing customers' material consumption (textiles or leather), improving equipment energy efficiency, or optimizing the amount of steel used in manufacturing.

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. A structured approach to the eco-design of Lectra equipment, over the entire life cycle of the offer, will lead to continuing efficiency gains for customers, while also improving the environmental performance of the solutions.

The methodology is based on ISO 14040 and ISO 14044, and is broken down into four interdependent phases:

- definition of goals and scope;
- analysis of elementary input and output flows between the equipment and the environment throughout the equipment's life cycle;
- modeling the data and assessing the environmental impact of the life cycle;
- interpretation and communication of the results and indicators that measure the potential impacts on air, water, and other resources.

All R&D initiatives relating to equipment now incorporate these eco-design rules; the initial products developed in this way were brought to market in 2023.

A similar initiative is being studied for software, with a view to optimizing cloud resources.

Objective for 2023-2025: improve eco-design processes for equipment and extend to software solutions.

Actions to strengthen the eco-design approach were reinforced in 2023, mainly with the publication of an eco-design charter. The Group has committed to carrying out a life cycle analysis for each new range of equipment to track the progress of various measures.

Our **commitments**

01 Optimize material consumption: focus our efforts on the most critical aspect of reducing the environmental impact of our activities on their lifecycle.

02 Continuous improvement: embark on a process of continuous improvement of equipment, software and services, questioning and constant innovation. Everyone involved in the process must be trained and informed.

03 Systemic approach: view our work as part of a systemic approach that takes account of multiple criteria and their interactions. Involve customers and suppliers in the design of equipment, software and services.

04 Act together: involve customers and suppliers in this approach to engage them in the long term.

05 Social responsibility: take account of the social impacts of production and use of the equipment, software and services (system conformity and safety).

06 Resources: make sure that material and equipment choices are based on environmental and social criteria throughout their lifecycle.

07 Water, Air, Soil: consider water, air and soil to be common assets of all humanity that need to be preserved and protected from pollution throughout the product or service lifecycle.

08 Energy: minimize energy consumption throughout the lifecycle of equipment, software and services. Prioritize the use of renewable, non-polluting energy sources.

09 Waste: minimize environmental pollution and prioritize the recyclability of products and services, as well as of the related residues and packaging.

10 Health: take account of the health impacts of production and use of the equipment, software and services (reduction of toxic products during manufacture).

5.2 Products and services that enable Lectra customers to reduce their environmental impact

We commit to providing our customers with products and services that enable them to reduce their impact on the environment.

As a privileged partner, Lectra is committed to supporting its customers in their transformation ambitions to address current and future environmental challenges. Lectra solutions support their efforts to reduce environmental impacts from the initial design phase onwards. In addition, Lectra equipment is designed to be compliant with the European Union's REACh (**Registration, Evaluation, Authorization and Restriction of Chemicals**) and conflict minerals regulations.

5.2.1. Optimizing customers' material consumption and reducing waste

Acutely aware of the environmental impact associated with fabric manufacturing and processing, Lectra's offers are designed to help customers optimize material consumption, notably textile and leather, at every stage of the process.

As a result, virtually all Lectra solutions have a significant positive impact on the environment.

- TextileGenesis provides a cloud platform that enables fashion brands and sustainable textile manufacturers to ensure a reliable, secure and fully digital mapping of their textiles, from the fiber to the consumer, and thereby guarantee their authenticity and origins.
- Kubix Link PLM and Yunique PLM improve communication with suppliers, thus contributing to a better overall view of the entire product lifecycle and a reduction in travel. They support the traceability process by facilitating the storage and identification of CSR compliance information on suppliers and/or materials.
- AccuMark and Modaris, through their integrated verification capabilities, error-proof the pattern creation process, shorten lead times and reduce material waste in production. To take it a step further, the Quick Estimate cloud application enables Modaris users to measure the fabric required for each garment.
- Quick Nest and Flex Offer are cloud-based material-optimization applications with algorithms that determine the position of pieces to be cut and continuously improve material yields, enabling customers to also improve their supply processes by ordering exactly the amount of fabric needed for production.
- Retviews, the automated benchmarking solution provides a better understanding of the market, helping customers to optimize future collections to meet market requirements, reducing unsold goods and related waste.
- Virga cuts fabric directly in single ply, eliminating the need for the plastic or paper that was used in previous generations. Its cutting blades have a lifetime several times longer than previous blades.
- Vector, Atria, and FocusQuantum, fabric-cutting solutions that enable cutting with zero buffer between pieces, thus reducing scrap.
- Versalis, for leather cutting, has optical systems that analyze the quality of hides to limit the number of pieces scrapped due to visual defects and uses algorithms to optimize the nesting of pieces to be cut, thus improving material yield.

5.2.2. On-demand production

Lectra does more, with its on-demand production solutions, Fashion On Demand by Lectra and Furniture On Demand by Lectra. Clothing and furniture are no longer produced in advance but only when purchased by the consumer, reducing the risk of unsold goods and therefore waste. Products are easily personalized or even made to measure.

These on-demand production technologies constitute Lectra's most advanced CSR-oriented offers, enabling brands to manufacture only the quantities required, without excess stock to be destroyed, and to produce in proximity to the final consumer, thereby limiting transportation.

5.2.3. Forest Stewardship Council (FSC) certification of paper consumables.

In September 2023, Lectra obtained FSC Chain-of-Custody (CoC) certification for its main European subsidiaries, in France, Italy, Spain and Portugal. FSC CoC certification ensures traceability of FSC certified materials at each stage in the chain of production, from the forest to the finished product, including processing, transformation, manufacturing and distribution.

As a result, the Group can now offer customers FSC-certification of paper consumables for their equipment.

5.2.4. 4.0 services

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. The emerging issue of digital responsibility is likely to become increasingly crucial. The Group has decided that now is the time to focus attention on the issue by identifying digital responsibility as one of its major challenges, one that Lectra, and the leading specialized cloud providers, are now addressing.

Lectra now incorporates 4.0 services based on collected data, artificial intelligence and the expertise of Lectra teams. These services contribute to optimizing customers' usage, maintenance, and the replacement intervals for parts subject to wear and tear, thus reducing the overall material footprint.

Critical to the online and cloud-based services that Lectra deploys for customers within the framework of the Lectra 4.0 strategy, are datacenters that store the data and run the algorithms required for Lectra's offers to perform properly. These datacenters are hosted by operators specialized in providing cloud services, most notably Microsoft, Amazon, Google and OVH.

5.2.5. Reducing CO_2 emissions

Lectra has identified three priority areas for reducing CO_2 emissions:

- Energy efficiency of equipment: reducing equipment power consumption is central to the Group's eco-design practices. Lectra supports customers in optimizing the overall efficiency of its equipment with optimized parameter settings and the use of consumables that significantly reduce energy consumption. Lectra thus supports its customers' efforts to reduce their energy consumption and greenhouse gas (GHG) emissions (scope 2). Measurements carried out on the new generation of eco-designed equipment show a reduced energy consumption versus the previous generation, up to 35%.
- Local sourcing and shipping: the optimization plan for CO2 emissions also includes sourcing most parts from local suppliers, forward stocking in regions where customers are located. As a result, 95% of the components for the Bordeaux-Cestas (France) production site are sourced from European suppliers. To reduce GHG emissions, deliveries are grouped together, the most carbon-efficient routes are selected, and maritime transport is privileged.
- Remote maintenance: 4.0 services facilitate remote diagnostics, thus reducing the environmental footprint associated with travel. For Lectra-brand equipment, following the full-scale rollout of remote intervention methods for the very large majority of support and maintenance operations, and the development of highly detailed video tutorials, most interventions are now performed remotely. The same approach is being ramped up for Gerber-brand systems.

Indicators tracked

Part of interventions conducted remotely on equipment and software	2023	2022	2021	2020
Lectra brand	**86%**	86%	85%	84%
Gerber brand	**55%**	46%	na	na

Objective for 2023-2025: develop dashboards that measure the environmental impact of each customer's Lectra equipment and solutions, and incorporate in the sales and service processes the provision of systematic support to help customers reduce their environmental impact.

5.3 Safe, accessible and easy to use offers

We are committed to safe, accessible and easy-to-use offers.

Lectra develops equipment with high performance security features to ensure operator safety.

The Group also seeks to make its equipment accessible to all categories of users. This is evidenced in work on ergonomics and ease of manipulation, including a user interface in several languages, accessible to the visually impaired, and with pictograms for use by illiterate workers.

5.3.1. Optimal equipment safety and security for users

The industrial equipment produced by the Group can expose users to certain risks. Lectra's research and development teams have 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 safety and security features, including a radar system to detect user motion that immediate triggers an emergency shutdown in the event of inappropriate user behavior. This system marks a further improvement in the performance of previous safety systems and has been available as standard or as an option on most equipment since 2018.

What's more, in 2023, following two years' work in collaboration with INERIS, the French public institute for controlling industrial and environmental risks, Lectra achieved CE type certification for its new numerical control system, which was designed entirely in-house. Lectra is the first equipment manufacturer to achieve this milestone, which provides confirmation that the component was developed in conformity with all safety standards.

These integrated safety systems are accompanied by support from 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. Further, as part of the service contracts offered to customers, Lectra's technical experts carry out regular audits of their installations, which include all embedded safety systems.

Lectra equipment is certified by multiple safety organizations for security and conformity to all relevant standards and can therefore be exported to all continents.

5.3.2. Comprehensive Group Information Systems Security Policy

The Group established a Cybersecurity department in 2022. Based on a comprehensive analysis of the Group's information system security risks carried out in 2022, a global, structured action plan was implemented to secure all data processed by the Group, as well as for offers under development.

The new IT security policy was published in 2023. It comprises an Information Security Management System, procedures for data security, implementation of technical measures, dissemination of best practices, and a documented and tested security incident management process.

The Cybersecurity Department is responsible for governance relating to the protection of personal data. It is tasked with building, maintaining and operating the personal data protection system; the system is aligned with the Group's strategic risk mitigation objectives. The Group is therefore committed, for its own operations and for those carried out on its customers' behalf, to ensuring an optimum level of data protection and to complying with all laws and regulations applicable to the processing of personal data.

Regarding data security of the offers, in-house experts develop and operate secure applications, which are monitored continuously to ensure that any vulnerabilities detected during the development process are immediately addressed, in light of the constantly changing environment.

The third pillar of the Information Systems Security Policy, alongside data security and information system security, is staff awareness; 89% of the Group's workforce completed at least one information security training course in 2023.

Indicators tracked

	2023	2022
Employees who completed an information security training course	89%	20%

	2023	2022
Time to process a request to exercise rights (rights of access, erasure, etc.)	4.06 days (for 44 requests)	7.0 days (for 12 requests)

6. An inclusive, diverse and vibrant work culture

The commitment and excellence exemplified by the teams are the cornerstone of Lectra's success. This involves developing and nurturing existing talent, as well as attracting and retaining the talent Lectra will need in the future, by fostering openness to others in a company with a highly diverse workforce. Moreover, the Group's acquisition strategy over the years has had significant impacts, including a sharp increase in headcount, the internationalization of organizations, and the integration of companies of varying sizes and cultures.

The Group is consequently deploying a project to facilitate the sharing of a common culture across all countries: **The Lectra Way**.

The Human Resources Department has rolled out a number of action plans since 2022, including the new Human Resources Information System (HRIS). This has enabled the convergence of practices in terms of compensation, hiring, onboarding, performance tracking, skills development and career management.

Other projects launched over the past three years include implementation of teleworking rules in Europe and in the Americas, the organization of employee surveys and the introduction of a co-optation program to assist in recruitment.

The international labor market has also undergone dramatic changes, as the worldwide pandemic has reshaped attitudes towards work, especially for the younger generations. More than ever, organizations must be able to provide a motivating, meaningful and value-oriented environment for their employees. In 2023, the Human Resources Department established a charter ("**HR Charter**") to strengthen Lectra's positioning and reaffirm the Company's ambitions.

OBJECTIVES

This charter establishes the general principles underpinning the Group's human resources policy. It applies to all companies within the Group and guarantees fair treatment for all employees.

The charter sets out Lectra's values and commitments, aimed at **retaining talent, developing the company's attractiveness, and creating a company culture of respect for differences and diversity, openness to experimentation, work-life balance, and strict business ethics.**

It also brings the company into line with:

- **the Universal Declaration of Human Rights;**
- **the UN Convention on the Rights of the Child;**
- **the guidelines of the OECD, of which France, among other countries, is a member;**
- **the Ten Principles of the UN Global Compact;**
- **the administrative, social and fiscal obligations of the countries where the Group is established.**

And more specifically, **Lectra has committed to apply and respect the provisions in the fundamental conventions of the International Labour Organization (ILO)**, namely:

- **the effective abolition of child labor;**
- **the elimination of all forms of forced or compulsory labor;**
- **a safe and healthy working environment;**
- **the elimination of discrimination in respect of employment and occupation;**
- **freedom of association and the effective recognition of the right to collective bargaining.**

6.1 Equal opportunities for all

We are committed to equal opportunities for all and have zero tolerance towards discrimination and harassment.

Lectra is committed to a policy of openness, inclusivity, and diversity that recognizes and welcomes everyone. Diversity of backgrounds ensures openness to the world and guarantees the representativeness of civil society within the Lectra teams. 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. Lectra, whose teams operate in 37 countries, 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.

The Your Voice 2023 survey identified this as a strong point for the Company, with 75% (71% in 2022) reporting they felt positive about respect for diversity and differences.

The Group has never been convicted of corruption; failure to respect freedom of association or collective bargaining rights; illegal, forced or compulsory child labor; or discrimination in hiring.

6.1.1. Gender equality

Lectra is committed to full equal treatment in hiring and career management. In this respect, the Company regularly engages in negotiations on gender equality in the workplace leading either to a multi-year agreement or to a one-year action plan based on clearly stated objectives.

As in 2022, women accounted for 36% of the workforce on December 31, 2023, primarily due to the high proportion of engineering positions that require initial education in fields in which women have been historically underrepresented.

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, Lectra's overall score on the gender equality index was 94/100, placing it among the highest rated companies in this respect and underscoring Lectra's constant attention to this issue over the years.

The managing bodies of the Group comprise the members of the Executive Committee plus the management team, that is, 65 men and women. Women account for 29%, (24% in 2022). As for the Group Executive Committee, on December 31, 2023, it had 16 members, including five women, improving the rate of feminization to 31% of the Committee's membership (27% in 2022). Lectra aims to raise the gender mix in its managing bodies to the same level as in the Group as a whole (36%), by the end of 2025.

The gross comparison of compensations, which is subject to numerous biases, in particular linked to cultural differences between the regions of the world, reveals that the average compensation is 17.0% lower for women than for men. However, an examination of the 100 highest compensation packages in the Group, indicates a better performance, in that the pay gap between women and men for this category is narrower, at 8.1%; this indicator points to equal access of men and women to high- level positions within Lectra organizations.

Objectives for 2023-2025: introduce a code of conduct and a whistleblowing procedure in this area, with internal information and training programs, similar to what is in place for business ethics.

Indicators tracked

Breakdown of the workforce by age group:

	At December 31, 2023 *(% of total headcount)*	*At December 31, 2022 (% of total headcount)*	At December 31, 2021 *(% of total headcount)*
Age 29 or younger	12%	11%	9%
Age 30-39	25%	25%	26%
Age 40-49	29%	29%	28%
Age 50-59	24%	27%	27%
Age 60 and over	10%	9%	10%

Percentage of women	**At December 31, 2023** *(% of total headcount)*	*At December 31, 2022 (% of total headcount)*	At December 31, 2021 *(% of total headcount)*
In Group workforce	36%	36%	36%
In Executive Committee	31%	27%	29%
In Group-level managing bodies	29%	24%	24%

	2023	2022	2021
Response rate to the question on "Respect for diversity and differences" in the *Your Voice* survey	75%	71%	-

Pay gap between women and men	**At December 31, 2023** *(% of total headcount)*	*At December 31, 2022 (% of total headcount)*	At December 31, 2021 *(% of total headcount)*
In Group workforce	17,0%	17,1%	17,2%
Among the 100 highest compensation packages	8,1%	4,0%	3,3%

	2023	2022	2021
Women as percentage of those who received stock options	29%	28%	28%

6.2 A working environment that favors employee engagement

We commit to promoting a work environment that favors employee engagement.

6.2.1. Empowering employees to share in the Company's success from day one

New employees follow an onboarding program, based primarily on participation in the **Lectra Together** onboarding seminar, during which they learn about the Group'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 on the Bordeaux-Cestas (France), campus — the Group's epicenter where the roughly 800 people on-site have a tremendous wealth of expertise.

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

The members of the Executive Committee exchange views with all employees on an ongoing basis through Town Hall meetings throughout the year. These digital sessions provide an opportunity to share information on results, strategy, acquisitions and the various successes of the Group's teams. There is always a live question-and-answer period to allow everyone to communicate freely, and anonymously, with the Executive Committee members.

Four Town Hall meetings were held in 2023. Each meeting is organized as a series of three sessions, in French and in English, and at different times, to enable all employees to participate in their own language and location. Approximately 1,400 employees participated each time; sessions are also recorded and available to the entire workforce.

6.2.2. Measuring employee satisfaction and involvement

Since 2022, the Group has conducted an annual worldwide survey of employee engagement – the *Your Voice* survey – that provides each employee the opportunity to be involved in defining and improving the workplace. The 2023 edition confirmed a participation and engagement rate significantly higher than usually observed by the independent survey company.

Numerous areas for action have been identified thanks to Your Voice. The action plans developed jointly with employee teams help to reshape the Company's culture and practices, through a participatory and iterative approach to continuous improvement designed to sustain employee engagement over time.

6.2.3. Compensation and recognition

Lectra has put in place a fair compensation policy that seeks primarily to reward merit and performance. The salary review policy takes into account individual and collective performance, together with the level of inflation, the situation in the labor market, and compliance with the laws and regulations in force in each country. The high inflation observed in most countries in 2022 has directly impacted the employee's purchasing power. To address this situation and maintain the high level of commitment of its teams, on July 1, 2022 and January 1, 2023, Lectra implemented, in those affected countries a general increase, in addition to the measures already taken on January 1, 2022.

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

- 38% of employees benefit from a profit-sharing agreement based on the Group's financial performance. For the Company, these criteria are aligned with those used to calculate the variable portion of the compensation of the Lectra management team;
- 17% of employees have a variable component in their compensation, the payment of which depends on the achievement of worldwide, regional, and individual objectives. Whenever compensation comprises a fixed component and a variable component, the objectives and the rules for calculation of the variable component are set at the start of each year for the coming year, and are directly aligned with the strategy, the challenges 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 has a long-standing policy of selective employee participation in its capital through the granting of stock options. At December 31, 2023, 341 people (including 12 former employees of the Group) benefit from stock options.

Lectra's policy of recognizing employees and teams is not, however, limited to financial measures. Lectra integrates individual and collective recognition into its culture through a number of customs.

6.2.4. Offering a vibrant 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 63 nationalities. 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 the Your Voice 2023 survey, 72% of respondents expressed a positive opinion on their physical working conditions.

Lectra's success depends to a large extent on the fulfillment of its employees and its ability to offer stimulating assignments with varied content: this was also recognized in the Your Voice 2023 survey, which reported 73% positive opinions regarding the interest of their daily work.

6.2.5. Opportunities for internal mobility

For many years, Lectra has offered individualized career paths adapted to the needs of each employee. Lectra encourages national and international mobility to new positions, whenever possible. Of the 331 permanent positions staffed in 2023, 16% (52) were filled through internal mobility. Talent Reviews were organized in 2023, in all teams to contribute to building individual development pathways.

Employment opportunities at Lectra are posted and can be accessed by all employees on the Group's website.

6.2.6. Deployment of *The Lectra Way*, a corporate culture to promote employee engagement

The Group's acquisition strategy over the years has had considerable impacts on Lectra, involving a sharp increase in headcount, international expansion of organizations, and integration of businesses of different sizes and cultures. Immediately following the acquisition of Gerber (650 employees), Lectra undertook a cultural diagnosis to identify similarities and differences. The study's conclusions prompted the Group to define a vision of its future culture. Thirty-six employee "change makers" contributed to a process that examined major cultural challenges that led to the identification of positive behaviors to be promoted. These proposed behaviors, in line with the Group's fundamental principles and values, and consistent with the Group's CSR strategy, come together to form the new shared culture – The Lectra Way. With its emphasis on communication, trust and collaboration, the Lectra Way promotes employee engagement, across all our teams.

In 2023, a multi-disciplinary team planned the stages involved in adopting The Lectra Way. With contributions from change makers, internal coaches and the Human Resources department, the team analyzed the **areas for improvement** identified by the Your Voice survey and initiated development of specific action plans around the new cultural identity. Information was also communicated to all employee teams.

Objective for 2023-2025: further improve the work environment, with an overall action plan and specific action plans for each team.

Indicators tracked

Your Voice employee engagement survey findings. Percentage of positive opinions:

	At December 31, 2023 *(% of total headcount)*	At December 31, 2022 *(% of total headcount)*	At December 31, 2021 *(% of total headcount)*
Participation rate	80%	81%	n/a
Teams' engagement rate	65%	64%	n/a
Including:			
1/ Pride in working for Lectra	77%	80%	n/a
2/ Intention to stay at Lectra for a long time	65%	65%	n/a
3/ Willingness to recommend Lectra as a good place to work	66%	63%	n/a

6.3 Work-life balance

We commit to promoting a sound balance between work life and personal life.

Employee well-being is particularly dependent on a work organization that respects this balance while taking into account each type of activity.

Full-time employment contracts are the general rule and cover 96.7% of the Group's total workforce. As a general rule, part-time work is put in place at the employee's request. No employee has an employment contract specifying night work. However, certain exceptional situations (e.g., monitoring IT systems) may require night or weekend work or may require certain teams to be on call.

When operational constraints require special work arrangements, Lectra favors labor negotiations to reach balanced agreements that build consensus and employee support. In 2022, an agreement authorizing two shifts in the manufacturing workshops was signed for the Bordeaux-Cestas (France) industrial site.

Other initiatives make a direct contribution to work-life balance:

- deployment of a telecommuting policy in Europe and the Americas;
- announcement of a formal worldwide charter on the "right to disconnect", also based on an agreement signed in France;
- signing in France of a 2023-2025 agreement on gender equality, quality of life and working conditions which includes measures to facilitate day care for young children of employees, thereby easing some of the pressures associated with being a parent.

Objective for 2023-2025: review teleworking policy to adjust it to each occupation and put in place measures to ensure the right to disconnect.

Your Voice employee engagement survey findings. Percentage of positive opinions:

	At December 31, 2023 *(% of total headcount)*	At December 31, 2022 *(% of total headcount)*	At December 31, 2021 *(% of total headcount)*
Balance between work life and personal life	68 %	62 %	n/a

6.4 Long-term development of talents, team expertise, and career paths

We commit to developing talent, team expertise and career paths over the long term.

From the very start, Lectra has invested significantly in training its employees to ensure upward mobility by enhancing their knowledge and skills.

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 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. Employee expertise demands thorough knowledge of market sectors, combined with perfect mastery of offers and technologies.

Lectra's worldwide presence and being close to customers necessitate building and retaining competent teams in many countries, in competitive markets. To support its organic growth, Lectra capitalizes on its ability to attract talents and facilitate development of careers within the organization, through an ambitious recruitment policy and actions to improve quality of life for all employees.

The technology 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.

In 2023, the Group therefore put in place or maintained the following actions:

- Worldwide recruitment co-optation policy;
- Participation in school forums, and regional events;
- Contribution by Lectra speakers in engineering and educational communities;
- Deployment of the recruitment module in the HRIS;
- Implementation of an employer branding strategy.

6.4.1. Individual performance assessment

The commitment to encouraging dialogue between employees and management is evidenced in the transition of the individual performance review system to a continuous feedback model, also included in the management training under The Lectra Way. Group employees benefit from an annual performance assessment interview with their manager to measure the past year's performance and set objectives for the year to come. This practice, an integral part of the Group's human resources policy, is supported by a module that was integrated into the HRIS in 2022. Personal information on career prospects, drawn from the career appraisals offered once every two years to Lectra employees in France, has also been supported by an HRIS module since 2023.

6.4.2. Training and onboarding

For close to thirty years, Lectra has invested massively in training for its employees, under a policy that promotes career paths with support to expand their knowledge and knowhow.

The creation in 2005 of Lectra Academy, the Group's worldwide in-house training center at Bordeaux-Cestas (France), was a major advance that enabled the Company to put in place a far-reaching program with a worldwide scope to adapt and upgrade business-related professional skills and know-how, to bolster Lectra's attractiveness, and to spread the corporate culture. 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 and customer support. These arrangements have expanded the broad array of training programs available to employees worldwide, whether in person or by e-learning. The Group has expanded technical training for other teams—R&D especially—in the areas of new technologies, Lectra's offer, and customers' businesses.

Lectra also provides a training content platform accessible to all employees. This tool contains awareness training courses, technical courses and even certification programs in a variety of skills areas. Information is posted at regular intervals as new content becomes available, in tune with the Group's activities and needs identified by the teams.

In addition, over the past three years, Lectra has reinforced training and awareness-building for its employees on compliance in areas including the protection of personal data, anti-fraud, anti-corruption and anti-money laundering measures, through a series of training modules dispensed over the course of several annual campaigns.

In 2023, the Group invested 3.6 million euros in training its teams (3.2 million euros in 2022), representing 2% of the Group's payroll (1.8% in 2022).

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

Lectra's growth calls for considerable recruitments. To address this situation, the Group introduced a co-optation, or participative recruitment, program in the latter part of 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. The co-optation policy has led to the direct recruitment of 50 new employees since it was launched in late 2021.

6.4.4. Ambitious recruitment policy

To meet its substantial recruitment requirements, the Group combines the business expertise of a dedicated team, with local knowledge of the market, via local human resources teams and / or recruitment agencies with long-standing partnering arrangements with Lectra in the different countries where Lectra operates.

Despite a deteriorated global economic climate, recruitment remained strong in 2023. 44% of hirings were in France, 30% in the rest of Europe, 13% in Asia- Pacific and 13% in the Americas.

Lectra's employer brand profile has been developed through brochures, editorial guidelines, texts for updating job offers, tips for social media, an employer brand video, and a "Work at Lectra" page on the Company's website, which have contributed to the Group's attractiveness.

Objective for 2023-2025: implement a continuous improvement process and expand training plans for teams to build their expertise regarding industry 4.0 technologies.

Indicators tracked

(number of individuals)	2023	2022	2021*
Employees hired	**331**	398	222
of which, permanent contracts	**307**	366	192
of which, fixed-term contracts	**24**	32	49
Fixed-term contracts as a percentage of total employees hired	**93%**	92%	86%

(*) The scope is Lectra 2020 (i.e., before acquisition of Gerber, Neteven and Gemini)

Age group	At December 31, 2023 *(% of total headcount)*	At December 31, 2022 *(% of total headcount)*	At December 31, 2021* *(% of total headcount)*
Age 29 or younger	30%	30%	39%
Age 30-39	38%	37%	38%
Age 40-49	22%	22%	16%
Age 50-59	8%	9%	8%
Age 60 and over	2%	2%	0%

(*) The scope is Lectra 2020 (i.e., before acquisition of Gerber, Neteven and Gemini) in 2021

(number of individuals)	2023	2022	2021
Average monthly number of unfilled open positions for permanent employment	**173**	173	-

The previous table also shows Lectra's commitment to recruiting young people, who account for close to 30% of hirings, and offering them stimulating assignments, a pleasant working environment and an attractive career path.

In this respect and to raise its profile among young graduates, the Group:

- regularly participates in school employment forums, particularly in France;
- publishes opportunities for internships and work/study programs in selected educational institutions, and welcomes interns (82 in 2023), as well as apprentices and people on professionalization contracts (47 on work/ study programs in 2023, in France alone);
- maintains long-standing partnering arrangements with schools across the world that train their students on Lectra solutions.

Number of departures

Total departures include retirements, employee-initiated departures and employer-initiated departures, all of which were for personal, non-economic reasons. In 2023, 326 employees left the Group, for all grounds of departure (363 in 2022).

Voluntary departure rate

The 7% voluntary departure rate was down significantly without, however, overshadowing the tight labor markets observed in France and internationally, which are impacting many occupations, particularly those linked to digitalization of offers. For several years now, this situation has required heightened attention by the human resources teams, who have developed a number of initiatives contributing to a significant improvement in this ratio.

	2023	2022	2021*
Registered workforce on permanent contracts at December 31	2,540	**2,497**	**1,657**
Number of resignations or voluntary terminations by employees during probationary period	189	**225**	**180**
Percentage of departures at employees' initiative	**7%**	**9%**	**10,9%**

(*) The scope is Lectra 2020 (i.e., before acquisition of Gerber, Neteven and Gemini) in 2021

Number of training hours

A total of 48,448 hours' training was followed by employees.

	2023	2022	2021*
Number of training hours	**48,448**	35,922	12,801

(*) the scope is Lectra before acquisition of Gerber, Neteven and Gemini

Training programs support the deployment of the Group's strategy. The teams responsible for optimizing employee skills develop programs to support the populations concerned, such as to enhance consultative selling skills for the sales team, to increase the versatility of customer success teams in dealing with Gerber and Lectra brand solutions, to work effectively in product launches, to reinforce industry knowledge, along with programs in languages, management tools and soft skills.

Each employee trained had an average of 18.3 hours of training in 2023 (15.2 hours in 2022), that is roughly two-and-a-half working days.

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

In 2023, 2,651 employees, or more than 100% of the registered workforce (92% in 2022), had access to training courses organized by the Group.

	2023	2022	2021
Registered workforce on December 31 (including permanent contracts, fixed term contracts and work/study contracts)	**2,578**	**2,561**	1,715
Number of employees having taken at least one training course	**2,651**	**2,362**	1,777
Percentage of employees having taken at least one training course	**100%***	**92%**	104%*

(*) In 2021 and 2023, the number of people trained exceeded 100% due to a calculation method that also included training of people who had left the Group as of December 31.
(1) The contracts taken into account in the calculation of individuals trained and training hours are permanent contracts, fixed-term contracts, apprenticeship contracts and professionalization contracts.

6.5 Emphasis on employee health and safety

We commit to ensuring the health and safety of our employees.

We place great emphasis on maintaining healthy, safe and good working conditions for employees, with a focus on factories and R&D laboratories. Furthermore, the Group places great emphasis on strict compliance with local health and safety laws and regulations in each of its subsidiaries. Regular audits are conducted and local policy is adjusted accordingly whenever required.

The *Your Voice* 2023 survey reported 82% positive opinions on Lectra's attention to safety (77% in 2022).

Numerous accident prevention campaigns and training programs have been organized.

At the Bordeaux-Cestas (France), industrial site, the Group calls upon the complementary skills of a safety engineer, the Human Resources Department, Facility Management, and the Occupational Health Department. The Health, Safety and Working Conditions Committee ("CSSCT") is consulted on a regular basis, and participates in the Company's actions in the area.

At the Tolland industrial site (USA), Lectra has an in-house HSE expert to implement preventive measures and oversee performance in occupational health and safety.

The Company has also validated a preventive approach to address psycho-social risk factors, implementation of which began in France in 2023.

6.5.1. Frequency and severity of accidents at work, occupational diseases

These two indicators are measured for the Industrial scope, 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.

In terms of workplace accidents, the Group's industrial activity has a frequency rate and severity rate of 3.59 accidents per million hours worked and 0.17 days of temporary disability per thousand hours worked.

In 2023, no severe workplace accidents occurred and no occupational diseases were reported.

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.

Objective for 2023-2025: maintain the same level of excellence on the Bordeaux-Cestas industrial site and implement the same measures on the other industrial sites.

Indicators tracked

Frequency and severity rates of work-related accidents for the Industrial scope.
Comparative ratio between the frequency and severity rates for work-related accidents at the Bordeaux-Cestas (France), industrial site, and national average rates reported on the French government's official Ameli.fr website.

	2023	**2022**	2021
Frequency rate of work-related accidents for the Industrial scope	3.59	NA	NA
Frequency rate of work-related accidents for France	3.56	8.57	4.41
Comparative ratio to national average (official data from Ameli.fr)	5 times lower	2.5 times lower	5 times lower
Comparative ratio to national average (official data from Ameli.fr)	0,17	NA	NA
Severity rate of work-related accidents for France	0.18	0.36	0.12
Comparative ratio to national average (official data from Ameli.fr)	8 times lower	4 times lower	12 times lower

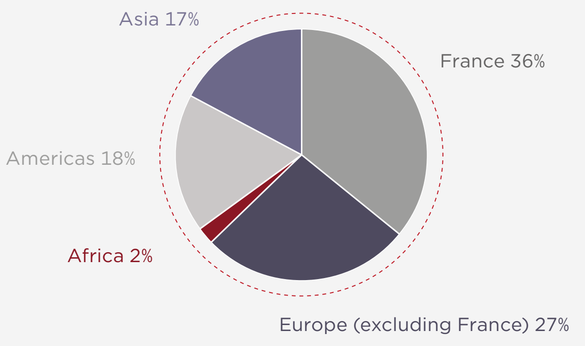
The frequency and severity rates at Lectra's French site are 8 times and 5 times lower, respectively, than the average indicators for French companies, thus demonstrating exemplary quality and maturity in safety and risk prevention.
The frequency and severity rates across the Industrial scope show that the objective of maintaining excellence was achieved in 2023, with the same measures now in place at the Tolland industrial site.

6.6 Additional information

6.6.1. Headcount

The Group's headcount at December 31, 2023 was 2,578 employees (2,527 at December 31, 2022), spread across 37 countries :

Employees by geographic region



6.6.2. Organization of labor relations

In France, the Company is active in managing 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 and renewed in October 2023 consists of 17 permanent members and 17 alternate members, elected by the employees, plus 1 trade union representative. It includes the Health, Safety and Working Conditions Committee ("CSSCT") that has four elected members of the CSE. In 2023, the Company disbursed 0.7 million euros to the CSE, 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, elected every 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.

Far from merely complying with its own legal obligations, Lectra is committed to ensuring a high standard of employee relations in each country to address employee concerns and aspirations.

6.6.3. Information on collective agreements

38 collective agreements are currently in effect and concern employees in France (31 agreements), Brazil (2), Germany, Belgium, Spain, Italy and Tunisia (1), i.e., 49% of permanent employees.

In France, the 2023 negotiations led to company-wide agreements in the following areas: work time, the profit-sharing agreement, matching contributions by the employer to the company savings plan, professional equality, quality of life and working conditions, the pre-electoral protocol and the composition of the 2023-2027 Social and Economic Committee.

No supplementary agreements were entered into during the year in Italy, Germany or Spain.

In addition to the profit-sharing plan (participation), which is a legal obligation in France, a 2023-2025 profit-sharing agreement (accord d'intéressement), which is the result of a deliberate choice made in the past by the Company, allows French employees to share in the Group's performance. 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 with the Company's objectives and contributes to their awareness of the Company's strategy.

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

In addition to seeking to achieve an internal consensus, the salary agreements aim to reconcile employee retention and containment of personal expenses.

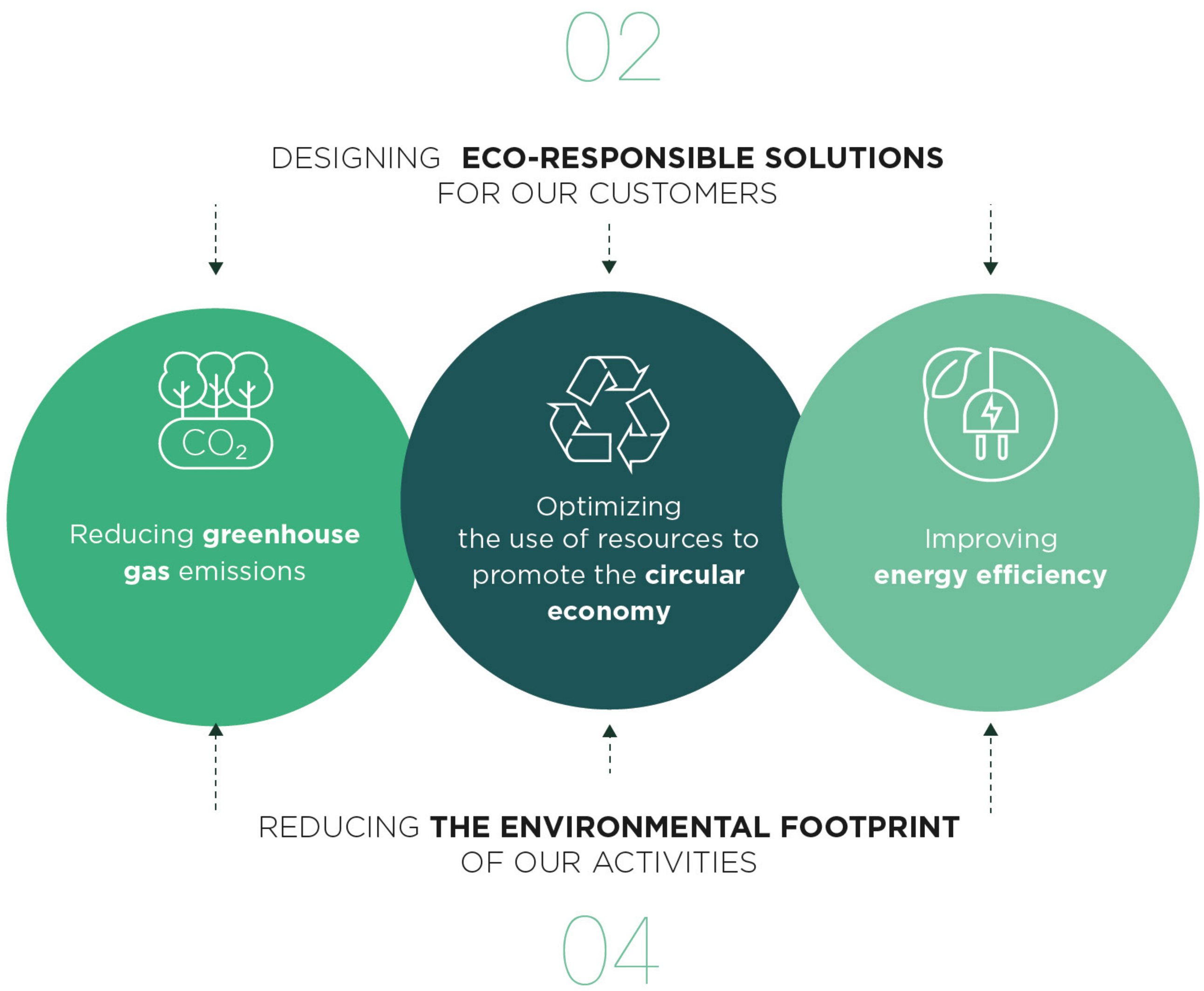
7. Reducing the environmental impact of Lectra activities

Lectra is committed to playing an exemplary role in the ecological transition, both in terms of the value it delivers to customers through its offers, and in terms of its own activities, particularly its industrial operations. Because of its business area, geographical locations, and supply and manufacturing processes, the Group's actual environmental impact is far more limited than the potential impact of its customers, as they face major environmental challenges, including those related to the utilization of textiles.

In 2023, Lectra put in place a new environmental policy through which it commits to reducing the environmental impact of its activities in 3 areas: greenhouse gas emissions, energy efficiency and optimizing natural resources. To support these commitments, Lectra has implemented an Environmental Management System (EMS) compliant with ISO 14001:15 that involves the Group's main business divisions and is led by a network of employees who act as environmental contributors. The objectives of the EMS are to identify and assess the environmental impacts and compliance requirements of the Group's activities; to prioritize and deploy appropriate action plans; and to verify, with a view to continuous improvement, the effectiveness of the actions undertaken. EMS performance is measured through indicators followed by the CSR Committee.

The main focus for energy efficiency, and for reducing waste, is on Lectra's production sites, which house 37% of the workforce and account for 65% of the building area occupied. The 74 other locations are offices, where the main challenge is ensuring sound environmental practices.

Finally, the Company promotes the preservation of biodiversity through initiatives on the technology campus in Bordeaux-Cestas (France), which includes four hectares of green and wooded areas, with a focus on preserving pollinators via beehives and insect hotels, as well as a differentiated management approach to green spaces. As a member of the "Acteur de la Biodiversité" nonprofit association, Lectra is committed to raising awareness of biodiversity among employees and visitors, with a separate building on the Cestas site dedicated to environmental protection, and an educational trail for exploring flora and fauna.



7.1 Reducing greenhouse gas emissions

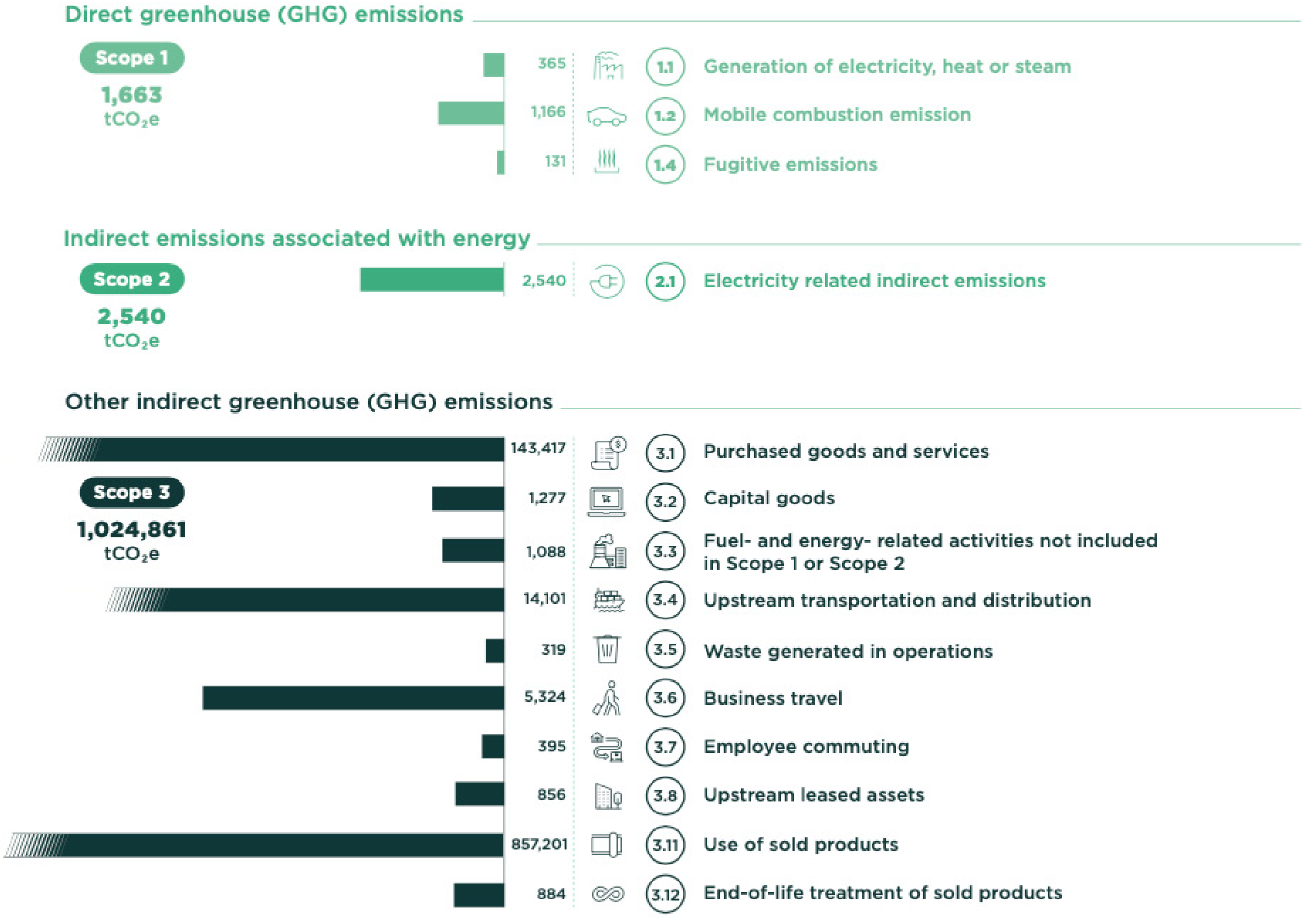
Recognizing the major challenges posed by global warming, Lectra places reducing GHG emissions at the heart of its environmental policy.

7.1.1. From measurement to knowledge, from knowledge to action:

Measuring GHG emissions is a prerequisite to defining targeted action plans and assessing environmental performance; that's why the Group performs an annual carbon footprint assessment. Up to and including 2022, the assessment covered direct emissions (scope 1) and indirect emissions linked to energy consumption (scope 2). In 2023, Lectra reinforced the assessment by applying a recognized accounting standard consistent with the Group's worldwide status, the Greenhouse Gas Protocol (GHG Protocol) and by covering the full scope of its operations by expanding the assessment to include scope 3, that is, indirect emissions both upstream and downstream of the value chain. To support these developments, in September 2023, Lectra conducted its first comprehensive assessment, covering fiscal year 2022, with assistance from Greenly, a company specialized in calculating GHG emissions and formulating climate strategies.

GREENHOUSE GAS EMISSION ASSESSMENT – LECTRA GROUP

YEAR 2022



Total GHG emissions tCO_2e
1,029,064

1. GHG Protocol (PRG 100) – Scope 2 calculated according to the market based method
2. (0.1) categories of the GHG Protocol Standard

7.1.2. Main actions to reduce CO_2 emissions

Action plans to reduce GHG emissions based on the priorities identified in this first assessment, have been implemented.

Scope 1 – Direct emissions: Lectra's direct GHG emissions are essentially generated by fuel consumption for the vehicle fleet and natural gas consumption at the Tolland industrial site for building heating. To reduce these emissions, since 2020, Lectra has deployed a vehicle fleet management policy that prioritizes the acquisition of fully electric or hybrid vehicles and the installation of EV charging stations at its sites. Since then, average vehicle emissions in France have fallen 15%, from 93 grams of CO2e per kilometer in 2020 to 79 grams in 2023. In parallel, the natural gas consumption at the Tolland industrial site was reduced by 4% in 2023.

Scope 2 – Indirect emissions related to energy consumption: this focuses mainly on electricity consumption at the industrial sites. The Group continues to implement its energy efficiency plan, which includes the energy audit of industrial sites, use of more efficient equipment, monitoring of consumption, and dissemination of best practices in energy efficiency. These actions led to a 9% reduction in electricity consumption at the industrial sites in 2023.

Scope 3 – Indirect emissions upstream and downstream from the value chain: to reduce Scope 3 emissions, Lectra continues its eco-design approach for its equipment, with special focus on reducing electricity consumption during operation. Lectra has mobilized its suppliers through the signing of the new Responsible and Sustainable Purchasing Charter, and manages business travel in accordance with the Group's travel policy.

Objectives for 2023-2025: measure, starting in 2023, CO_2 emissions for the Group as a whole and each of the three scopes, and then deploy action plans on the scopes with the greatest impact.

Indicators tracked

Greenhouse gas emissions, Scopes 1 and 2

		2023 Market-based GHG Protocol method	2022 Market-based GHG Protocol method	2022 Carbon assessment method	2021 Carbon assessment method
CO_2 emissions (tCO_2-eq) per employee		1.35	1.66	1.96	na
Tonnes (tCO_2-eq) for the Industrial scope	Group	1,128	1,508	1,560	na
	Bordeaux-Cestas industrial site	310	386	301	244
Tonnes (tCO_2-eq) for tertiary activity	Group	2,321	2,693	3,333	
Total Tonnes (tCO_2-eq)	Group	3,449	4,201	4,893	

Scope 1 and 2 emissions are proportionally linked to the number of employees and the surface area occupied in the buildings.

Climate Disclosure Project (CDP)* **Climate change**	**2023**	2022	2021	2020
Group score	C	D	-	-
Lectra brand score	-	-	C	C

(*) For the past four years, Lectra has responded to questionnaires from the Climate Disclosure Project (CDP), a non-governmental organization that assists different types of economic actors in measuring their environmental impacts, including on climate change. Following a decline in 2022 due to the initial inclusion of data for Gerber Technology, the Group regained its C score in 2023.

7.2 Waste reduction, sorting and recycling

Even if the Group's office activities are not a major source of waste, all employees are focused on waste reduction and recycling. Production activity, which centers on the two production sites at Bordeaux-Cestas (France), and Tolland (United States), 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.

Several initiatives have been developed at the Bordeaux-Cestas (France) site and are now being deployed at Tolland: cooperation with suppliers to optimize the packaging of components by working on types of packaging, and on developing reusable packaging; reduction of packaging for equipment and parts delivered to customers; elimination of plastic consumables for coffee breaks; reducing paper usage, e.g., through digitization of contracts and invoices; establishing a partnership with a specialized contractor to manage selective waste collection and recycling.

In addition, Lectra has installed recycling containers for paper in all locations in France.

Objectives for 2023-2025:
- **Deploy all Bordeaux-Cestas best practices at Tolland.**
- **Achieve 80% waste recycling from 2023.**
- **Introduce a textile recycling system at the Lectra Cestas industrial site to recycle textile waste (approximately 6T/year) from cutting tests during the manufacturing process.**

Indicators tracked

Part of waste recycled on industrial sites

	2023	2022	2021
Group	**66%**	75%	na
Cestas	**80%**	77%	78%

Waste at Bordeaux-Cestas and Tolland industrial sites.

	2023			2022		
Type of waste (in tonnes)	**Total**	Tolland	Bordeaux-Cestas	Total	Tolland	Bordeaux-Cestas
Wood (recycled)	196	0	196	215	31	184
Metal (recycled)	46	13	33	50	21	29
Paper, cardboard (recycled)	73	28	45	76	29	47
Plastics (recycled)	1	0	1	0,5	0	0,5
Non-hazardous industrial waste (partial recycling)	135	67	68	120	38	82
Municipal waste (recycled)	4.1	0	4.1	3.5	0	3.5
Special waste (recycled)	7	4,2	3	9	5	4
Total	**461**	**112**	**349**	**474**	**124**	**350**

7.3 Reducing water consumption

On the Bordeaux-Cestas industrial site, water consumption corresponds mainly to the needs of employees and to watering of green spaces on the campus. Measures have been implemented to reduce potable water consumption, such as the use of water-efficient equipment (dual-flow flushing systems in all facilities), rainwater collection (following building renovations), and monitoring of actual consumption. To preserve pumped water resources, the Bordeaux-Cestas site is equipped with a watering system for landscaped areas activated by a programmable controller system that adjusts to weather conditions, and parking areas with draining pavements to allow vertical infiltration of rainwater.

Objective for 2023-2025: extend the measures in place on the Bordeaux-Cestas industrial site to Tolland.

Indicators tracked

Since 2023, water consumption has been monitored in the same way on both industrial sites.

Water consumption at the Group's industrial sites

	2023		2022		2021	
Volume of water consumption (m³)	Municipal water	Well water	Municipal water	Well water	Municipal water	Well water
Group	**6,136**	**3,000**	5,790	7,073	na	na
Bordeaux-Cestas industrial site	5,197	3,000	4,691	7,073*	4,602	3,060

(*) Sharp increase in well water consumption between 2021 and 2022 due to the summer 2022 heat wave that required controlled watering to preserve plant life on the site

7.4 Energy efficiency of Group activities

Offices account for a significant share of the energy consumption, particularly for heating, air conditioning and lighting.

In addition to best practices shared with all Lectra employees, the Group has prioritized action plans for its production sites. Thus, since 2015, an energy improvement plan for the Bordeaux-Cestas (France), industrial site has been updated annually with support from EDF to identify and implement actions to reduce consumption. This action plan aims to reduce energy consumption at the Bordeaux-Cestas (France) industrial site by 30% in 2030. It can be broken down into three main areas for action.

The first action is building renovation. A five-year plan (2016-2020) to renovate 75% of the 34,000 square meters of the site's buildings aimed to bring buildings up to the highest standards in thermal insulation, HVAC, and very low energy lighting solutions. This plan was followed by a second plan, from 2021 to 2023, to renovate 100% of the site. In 2021, Lectra committed 2 million euros to totally renovate an additional 1000 square meters of office buildings. Connection of all HVAC installations to a centralized control system was completed in 2022. In 2023, all fluorescent tube lighting in the 6,000 square-meter warehouse area and the 3,000 square-meter showroom area was replaced by very-low-energy LED lighting. Lectra also replaced all resistance heating equipment at the Paris headquarters with energy-efficient heat pump systems.

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. In addition, electricity meters have been installed and connected to the BMS and now measure the consumption of each building in order to adjust the energy improvement actions. 80% of facilities in Bordeaux-Cestas had been connected by the end of 2023. The project is currently being deployed on the Tolland industrial site.

The third action involves replacing some technical facilities by more energy-efficient equipment. Lectra has its own datacenter for certain internal applications and implements best digital practices to minimize its environmental footprint. The Group has also concluded a project agreement with IDEX to deploy photovoltaic panels intended to cover 10% of its electricity requirements from 2024. In 2022, to comply with French and European Union official "energy sobriety plans," Lectra undertook additional voluntary actions to reduce consumption over the winter of 2022/2023, including systematically putting digital equipment into standby mode, and reducing heating temperatures. In 2023, Lectra conducted energy audit at the Tolland industrial site to identify priority areas for energy savings. When energy supply contracts are renewed, they now call for 25% low-carbon energy.

Finally, guidelines have been issued to favor highly energy-efficient buildings when considering new leases.

Objective for 2023-2025: establish a plan to reduce energy consumption at Tolland

Indicators tracked

Energy consumption at the Group's industrial sites :

	2023	2022	2021
Group			
Energy intensity (KWh/m²)	135	148	158
Electricity (GWh)	6.08	6.7	7.2
Gas (GWh)	1.25	1.3	1.4
Bordeaux-Cestas industrial site			
Energy intensity (KWh/m²)	116	125	134
Electricity (GWh)	3.8	4.2	4.5

8. A program for the next generation

We commit to sharing our knowledge, our expertise and our solutions to help the next generation of fashion professionals to develop their skills and employability.

For several decades, Lectra, like Gerber and Gemini, has partnered with fashion schools, providing software licenses for educational purposes free of charge as well as training for faculty members. At year-end 2023, more than 2,000 schools use the Group's technologies in their educational programs to help students understand the fashion professions, and provide support in the initial stages of their careers.

Lectra's vision for an ever-changing society recognizes that the responsibility for shaping the future of students is shared between educational institutions, fashion industry players, and technology companies. The Group is committed to leveraging its technological leadership to support the development of future fashion professionals as the industry evolves, both now and in the future.

In 2024-2025, the Group intends to move forward in developing educational programs with partner schools, and in building direct relationships with students from all countries.

Objectives for 2023-2025: put in place a program to support students in design schools and during the initial years of their careers.

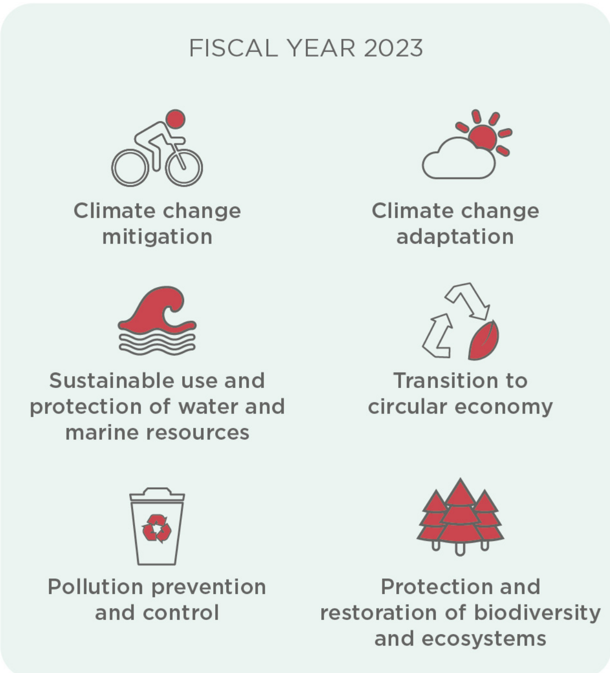
Indicator tracked

	2023 (Number of partner institutions)	**2023** (Number of licences provided)	**2022** (Number of partner institutions)	**2022** (Number of licenses provided)
Lectra	945	89,863	800	83,590
Gerber	1,023	31,636	1,304	34,570
Gemini	62	2,324	55	2,085

9. The European Union Regulation on sustainable activities: the "Green Taxonomy"

9.1 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 appendixes 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. For the 2022 Report, only the two "climate" objectives were taken into account. In 2023, the other four environmental objectives are added, as they have now been officially published.



The Group therefore analyzed the activities for eligibility under the six "environmental" objectives, before considering the question of alignment of the new activities.

Accordingly, if an eligible activity complies with the technical requirements of making a "substantial contribution" to climate change mitigation or adaptation, does no significant harm per the other environmental objectives, and meets minimum social safeguards, the activity is considered taxonomy-aligned.

As discussed in the Non-financial Statements for earlier years, the Group's direct activities, which are described in detail in the Management Discussion, have only a very limited impact on climate change (see NFS, chapter 7). Lectra publishes 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.

9.2 Proportion of eligible turnover

9.2.1. Analysis of Lectra's activities

In 2021, the Group had already analyzed 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. In 2022, these activities were not eligible under the first two environmental objectives. In 2023, the analysis was extended to the additional four environmental objectives.

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 for the six 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 the Group supplies fabric cutting equipment that enables its customers to optimize material utilization and energy, and thus improve their own environmental impact, the manufacture of equipment is not eligible under the environmental objectives linked to circular economy or pollution prevention and control in the delegated acts covering Lectra's activity.

Through the activity consisting in the sale of software, Lectra supplies customers with solutions that contribute value to three major objectives: material optimization (through design and development), digitalization of collaborative processes; and reliable, secure and fully digitalized chain-of-custody mapping of materials. These offers make a contribution to the environment by allowing customers to avoid or reduce their negative ecological impacts. Accordingly, the following Lectra Group offers that are taxonomy-eligible under category 4.1. Provision of IT/OT data-driven solutions and software, under the "circular economy" objective are:

- Textilegenesis
- Diamino
- Accunest
- Quick et Flex Offer
- CA Design Concept 2D3D
- Kaledo

9.2.2. Proportion of Taxonomy-eligible turnover in respect of the six criteria

In light of the analysis of the eligibility of its activities under the six environmental objectives, the Group has determined that the proportion of Taxonomy-eligible turnover in respect of the first phase of the Green Taxonomy is 5.3%.

9.2.3. Turnover alignment relating to the six criteria

Alignment will be effective in the 2024 fiscal year.

9.3 Proportion of taxonomy-eligible CapEx and OpEx

9.3.1. Definition of the ratios under the Green Taxonomy

Taxonomy-eligible CapEx and OpEx are costs incurred in relation to assets or processes associated with eligible activities, CapEx/OpEx included in a plan aiming to extend a sustainable activity or to make an activity sustainable, or individually eligible CapEx/OpEx.

The capital expenditure (CapEx) to be examined in analyzing the ratio of Taxonomy-eligible CapEx to total CapEx are acquisitions of tangible and intangible assets during the period, the acquisition of rights of use (within the meaning of IFRS 16), and acquisitions related to business combinations in the year. The CapEx taken into account is consistent with the consolidated balance sheet.

The operating expenses to be examined in analysing the ratio of Taxonomy-eligible OpEx to total OpEx are specific non-capitalized indirect costs including R&D costs and the costs of provision of IT solutions; building renovation, maintenance and repair 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: installation, maintenance and repair of electric vehicle charging stations inside buildings (and in parking areas adjoining buildings), and maintenance costs for green spaces and beehives at the Bordeaux-Cestas site.

9.3.2. 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 (taxonomy activity 7.2), improved energy efficiency (taxonomy activity 7.3), and to long-term vehicle leases (IFRS16), (taxonomy activity 6.5). In addition to these capital expenditures, there is the renewal and acquisition of leases (IFRS16) (taxonomy activity 7.7).

On this basis, the ratio of eligible CapEx to total CapEx came to 38.1% in 2023.

9.3.3. CapEx alignment

- Analysis of substantial contribution

The high eligibility ratio for CapEx is primarily due to recognition of the value of building leases under IFRS 16. The relevant buildings are generally older buildings for which construction standards in force at the time they were built do not currently meet the requirements of the taxonomy. As a result, we have concluded that this eligible CapEx (taxonomy activity 7.7) is not Taxonomy-aligned.

Regarding capital expenditure on building renovation (taxonomy activity 7.2), the situation is under the control of the Group's general services teams. Given the Group's responsible purchasing policy and compliance with Directive 2010/31/EU during the renovation of part of the buildings on the Bordeaux-Cestas (France), site, the Group considers that the substantial contribution criterion is satisfied. However, the Group has chosen to consider amounts invested for renovation of other buildings, apart from Bordeaux-Cestas, as not Taxonomy-aligned.

Some energy efficiency improvements (taxonomy activity 7.3) meet the minimum requirements of Directive 2010/31/EU. These expenditures meet the substantial contribution criterion. Other work was not considered to be Taxonomy-aligned.

Similarly, expenditure on long-term vehicle leases (IFRS 16) (taxonomy activity 6.5) relates to electric or hybrid vehicles; this falls within the scope of the responsible purchasing policy, and the corresponding emissions are less than 50 g/CO2 per km, thus meeting the substantial contribution criterion.

All told, eligible CapEx that satisfies the substantial contribution criterion comes to 972 thousand euros.

- Analysis of the Do No Significant Harm (DNSH) criteria

Building renovation (taxonomy activity 7.2) is carried out in compliance with the following criteria: no less than 70% of the weight of non-hazardous waste prepared for recycling, non-use of harmful products, and avoidance of potential noise and atmospheric pollution. In addition, an analysis of potential climate risks has been carried out and an action plan has been put in place to mitigate the identified risks. Furthermore, the sanitary facilities comply with the criteria for sustainable use of water resources.

Work on energy efficiency (taxonomy activity 7.3) is carried out in compliance with the criteria for the prevention of pollution under French law. The analysis of climate related risks is the subject of an action plan.

With regard to expenditures on long-term vehicle leases (IFRS 16) (taxonomy activity 6.5), the climate analysis was conducted at the level of the vehicle fleet and did not identify any major net risk. After an examination with the leasing companies, we were able to reach a positive conclusion on compliance with the criteria relating to the circular economy and pollution prevention. Consequently, our fleet is considered to be aligned.

- Analysis of compliance with minimum guarantees

In its Management Report (see Chapter 3), the Group describes the procedures and governance that ensure compliance with minimum guarantees regarding human rights, anti-corruption measures, fair business practices and compliance with tax laws. Consistent with its ethics, core values and Code of Conduct, the Group strives to apply all provisions of the fundamental conventions of the International Labour Organization (ILO) and the fundamental conventions on human rights, and ensures that it complies with the laws and regulations in force in each of the countries in which it operates. The Group is not involved in any major ongoing commercial disputes at this time and has never been held liable.

On the basis of these analyses, the CapEx alignment ratio is 4.2%.

9.3.4. Eligible OpEx to total OpEx

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

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

Total OpEx within the meaning of the Green Taxonomy came to 4,117 thousand euros. 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 a reduction in customers' energy consumption (activity 9.2: for example, the development of new generations of turbines, process efficiency, real-time display of consumption for customers, etc.); to optimization and reduction of cut material consumption (activity 4.1: for example, development of offers for design and nesting, display of reduction in waste, gains in cut material, etc.): to reliable, secure and fully digitalized chain-of-custody mapping of materials (activity 4.1); and to site maintenance and improvement (activities 7.2 and 7.3: for example, heating, air conditioning, site rehabilitation, energy audit), maintenance costs for green spaces and beehives at the Bordeaux-Cestas site (activity 1.1), and maintenance and repair of electric vehicle charging stations (activity 7.4).

On this basis, the ratio of eligible OpEx to total OpEx came to 7.1% in 2023.

9.3.5. OpEx alignment

- Analysis of substantial contribution

Regarding the portion of eligible OpEx relating to research work (taxonomy activity 9.2), we consider that the substantial contribution criterion has been met for projects that have led to the introduction of equipment that consumes less electricity.

The portion of eligible OpEx related to the maintenance and renovation of our owned premises (taxonomy activity 7.2), and to the installation and maintenance of energy-efficient equipment (activity 7.3), is under the control of the Group's general services teams. Given the responsible purchasing policy and compliance with Directive 2010/31/EU during the renovation of part of the buildings on the Bordeaux-Cestas, France, site, the Group considers that the substantial contribution criterion is satisfied.

Finally, regarding eligible OpEx relating to the installation, maintenance and repair of electric vehicle charging stations inside buildings (activity 7.4), the Group considers that the substantial contribution criterion is satisfied.

After reviewing the technical criteria, we determined that the amount of eligible OpEx for which a substantial contribution is demonstrated came to 943.4 thousand euros.

- Analysis of the Do No Significant Harm (DNSH) criteria

Regarding research work (taxonomy activity 9.1), the eligible activities developed did not generate additional risks with regard to the criteria for recycling, pollution, or climate change adaptation.

- Analysis of compliance with minimum guarantees

This analysis is detailed above in the section on CapEx.

On the basis of these analyses, the OpEx alignment ratio is 1.5%.

9.4 *Summary tables*

9.4.1. Turnover

Economic activities	2023			Substantial contribution criteria						DNSH Criteria ('Does Not Significantly Harm')(h)									
	Code(s)	Absolute turnover	Proportion of turnover	Climate change mitigation	Climate change adaptation	Water and marine ressources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine ressources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	**Taxonomy aligned proportion of turnover Year 2022**	**Category (enabling activity)**	**Category (transitional activity)**
		thousand of euros	%	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)																			
Of which Enabling																			
Of which Transitional																			
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Provision of IT/OT data-driven solutions and software	CE 4.1	25,281	5.3%	N/EL	N/EL	N/EL	NO	N/EL	N/EL										
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**25,281**	**5.3%**				5.3%												
Total Turnover of Taxonomy eligible activities (A.1 + A.2) (A)		**25,281**	**5.3%**				5.3%												
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities (B)		**452,298**	**94.7%**																
Total (A + B)		**477,579**	**100%**																

	Proportion of turnover/Total turnover	
	Aligned per objective	Eligible per objective
Climate change mitigation	0.0%	0.0%
Climate change adaptation	0.0%	0.0%
Water and marine ressources	0.0%	0.0%
Circular economy	0.0%	5.3%
Pollution	0.0%	0.0%
Biodiversity and ecosystems	0.0%	0.0%

9.4.2. CapEx

Economic activities	2023			Substantial contribution criteria						DNSH Criteria									
	Code(s)	Absolute CapEx	Proportion of CapEx	Climate change mitigation	Climate change adaptation	Water and marine ressources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine ressources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	**Taxonomy aligned proportion of CapEx Year 2022**	**Category (enabling activity)**	**Category (transitional activity)**
		thousand of euros	%	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Renovation of existing buildings	CCM 7.2	14.40	0.1%	YES	N/EL	N/EL	N/EL	N/EL	N/EL	YES	YES	YES	YES	YES	YES	YES	3%		T
Installation and maintenance of energy efficiency equipment	CCM 7.3	75.75	0.3%	YES	N/EL	N/EL	N/EL	N/EL	N/EL	YES	YES	YES	YES	YES	YES	YES	1%	E	
Motorcycle, passenger car and light commercial vehicle transport	CCM 6.5	882	3.8%	YES	N/EL	N/EL	N/EL	N/EL	N/EL	YES	YES	YES	YES	YES	YES	YES			T
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**972**	**4.2%**	**4.2%**	**0%**	**0%**	**0%**	**0%**	**0%**	**YES**	**YES**	**YES**	**YES**	**YES**	**YES**	**YES**			
Of which Enabling			0.3%	0.3%	0%	0%	0%	0%	0%	YES	YES	YES	YES	YES	YES	YES	1%	E	
Of which Transitional			3.9%	3.9%	0%	0%	0%	0%	0%	YES	YES	YES	YES	YES	YES	YES	3%		T
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Renovation of existing buildings	CCM 7.2	5,723	24.7%	YES	N/EL	N/EL	N/EL	N/EL	N/EL										
Acquisition and ownership of buildings	CCM 7.7	1,602	6.9%	YES	N/EL	N/EL	N/EL	N/EL	N/EL										
Installation and maintenance of energy efficiency equipment	CCM 7.3	526	2.3%	YES	N/EL	N/EL	N/EL	N/EL	N/EL										
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**7,851**	**33.9%**	33.9%	-	-	-	-	-										
Total CapEx of Taxonomy eligible activities (A.1 + A.2) (A)		**8,823**	**38.1%**	38.1%	-	-	-	**-**	**-**										
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy-non-eligible activities (B)		**14,336**	**61.9%**																
Total (A + B)		**23,159**	**100%**																

	Proportion of CapEx/Total CapEx	
	Aligned per objective	Eligible per objective
Climate change mitigation	4.2%	33.9%
Climate change adaptation	0.0%	0.0%
Water and marine ressources	0.0%	0.0%
Circular economy	0.0%	0.0%
Pollution	0.0%	0.0%
Biodiversity and ecosystems	0.0%	0.0%

9.4.3. OpEx

Economic activities	2023			Substantial contribution criteria						Critères d'absence de préjudice important									
	Code(s)	Absolute OpEx	Proportion of OpEx	Climate change mitigation	Climate change adaptation	Water and marine ressources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine ressources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	**Taxonomy aligned proportion of OpEx Year 2022**	**Category (enabling activity)**	**Category (transitional activity)**
		thousands of euros	%	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Renovation of existing buildings	CCM 7.2	52.3	0.1%	YES	N/EL	N/EL	N/EL	N/EL	N/EL	YES	YES	YES	YES	YES	YES	YES	0%		
Installation and maintenance of energy efficiency equipment	CCM 7.3	545.6	0.9%	YES	N/EL	N/EL	N/EL	N/EL	N/EL	YES	YES	YES	YES	YES	YES	YES	0%		
Installation, maintenance and repair of electric vehicle charging stations inside buildings (and in parking areas adjoining buildings)	CCM 7.4	6.5	0.01%	YES	N/EL	N/EL	N/EL	N/EL	N/EL	YES	YES	YES	YES	YES	YES	YES	0%		
Close to market research, development and innovation	CCM 9.2	279.3	0.5%	YES	N/EL	N/EL	N/EL	N/EL	N/EL	YES	YES	YES	YES	YES	YES	YES	2%		
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**883.8**	**1.5%**	**1.5%**	**-**	**-**	**-**	**-**	**-**	**YES**	**YES**	**YES**	**YES**	**YES**	**YES**	**YES**			
Of which Enabling																			
Of which Transitional																			
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Conservation of ecosystem habitats and species, including their restoration	BIO 1.1	91.8	0.2%	N/EL	N/EL	N/EL	N/EL	N/EL	NO										
Provision of IT/OT data-driven solutions and software	CE 4.1	3141.1	5.4%	N/EL	N/EL	N/EL	NON	N/EL	N/EL										
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**3232.9**	**5.6%**	**-**	**-**	**-**	**5.4%**	**-**	**0.2%**										
Total OpEx of Taxonomy eligible activities (A.1 + A.2) (A)		**4,117**	**7.1%**	1.5%	-	-	5.4%	**-**	**0.2%**										
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy-non-eligible activities (B)		**53,549**	**93%**																
Total (A + B)		**57,666**	**100%**																

	Proportion of OpEx/Total OpEx	
	Aligned per objective	Eligible per objective
Climate change mitigation	1.5%	0.0%
Climate change adaptation	0.0%	0.0%
Water and marine ressources	0.0%	0.0%
Circular economy	0.0%	5.4%
Pollution	0.0%	0.0%
Biodiversity and ecosystems	0.0%	0.2%

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

(For the year ended December 31, 2023)

LECTRA S.A.
16-18, rue Chalgrin
75016 PARIS

In our capacity as Statutory Auditor of the company LECTRA (hereinafter the "Entity"), appointed as independent third party ("third party") and accredited by the French Accreditation Committee (Cofrac), (Cofrac Inspection Accreditation, n°3-1862,scope available at www.cofrac.fr), we have undertaken a limited assurance engagement on the historical information (observed or extrapolated) in the consolidated non-financial statement, prepared in accordance with the Entity's procedures (hereinafter the "Guidelines"), for the year ended December 31, 2023 (hereinafter the "Information" and the "Statement", respectively), presented in the group 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 we have performed as described under the "Nature and scope of procedures" and the evidence we have obtained, nothing has come to our attention that cause us to believe that the consolidated non-financial statement is not prepared in accordance 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 performance statement

The absence of a commonly used generally accepted reporting framework or a significant body of established practice on which to draw to evaluate and measure the Information allows for different, but acceptable, measurement techniques that can affect comparability between entities and over time.

Consequently, the Information needs to be read and understood together with the Guidelines, available on request at the company's headquarters.

Inherent limitations in preparing the Information

The Information may be subject to uncertainty inherent to the state of scientific and economic knowledge and the quality of external data used. Some information is sensitive to the choice of methodology and the assumptions or estimates used for its preparation and presented in the Statement.

The entity's responsibility

Management is responsible for:

- selecting or establishing suitable criteria for preparing the Information;
- preparing a Statement pursuant to legal and regulatory provisions, including a presentation of the business model, a description of the main non-financial risks, a presentation of the policies implemented considering those risks and the outcomes of said policies, including key performance indicators and the information set-out in Article 8 of Regulation (EU) 2020/852 (Green taxonomy);
- preparing the Statement by applying the Entity's "Guidelines" as referred above; 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 by the Board of Directors.

Responsibility of the Statutory Auditor appointed as independent third party

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

- the consistency of the Statement with the provisions of Article R. 225-105 of the French Commercial Code;
- the fairness of the information provided (observed or extrapolated) in accordance with Article R. 225-105 I, 3 and II of the French Commercial Code, i.e., the outcome of the policies, including key performance indicators, and the measures implemented in light of 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 consistency of products and services with the applicable regulations.

Applicable regulatory provisions and professional guidance

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 (Compagnie nationale des commissaires aux comptes, "CNCC") applicable to such engagements, with the CNCC's technical opinion determining the conditions in which the independent third party performs its engagement – Non financial information statement, 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. 821-28 of the French Commercial Code and the French Code of Ethics (*Code de déontologie*) of our profession. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements, French professional standards and applicable legal and regulatory requirements.

Means and ressources

Our work was carried out by a team of 5 people between December 2023 and February 2024 and took a total of 5 weeks.

We were assisted in our work by our specialists in sustainable development and corporate social responsibility. We conducted 18 interviews with people responsible for preparing the Statement, representing in particular directions of CSR, human resources, health and safety, environment, purchases.

Nature and scope of procedures

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 labor 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 and includes, when needed, an explanation for the absence of the information required under Article L. 225-102-1 III, 2;
- we verified that the Statement presents the information set out in Article R. 225-105 II where relevant to the principal risks;
- 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 thereof, 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 main risks as well as the consistency of the outcomes, including the key performance indicators used, with respect to the main risks and the policies presented, and
  - corroborate the qualitative information (measures and outcomes) that we considered to be the most important presented in Appendix. Concerning social and societal risks, our work was carried out on the consolidating entity, for other risks, our work was carried out on the consolidating entity and on a selection of sites: Lectra France HQ, Cestas industrial site of Lectra France, Madrid office;
- 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 within the limitations set out in the Statement;
- we gained an understanding of the 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 Appendix, implemented:
  - analytical procedures to verify the proper consolidation of the data collected and the consistency of any changes in those data;
  - tests of details, using sampling techniques, in order to verify the proper application of definitions and procedures and reconcile the data with supporting documents. This work was carried out on a selection of contributing sites: Lectra France HQ, Cestas industrial site of Lectra France, Madrid office and covers between 20% and 100% of the consolidated data relating to the key performance indicators and outcomes selected for these tests;
- we assessed the overall consistency of the Statement in relation to our knowledge of all the consolidated entities.

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 National Institute of Statutory Auditors (CNCC); a higher level of assurance would have required us to carry out more extensive procedures.

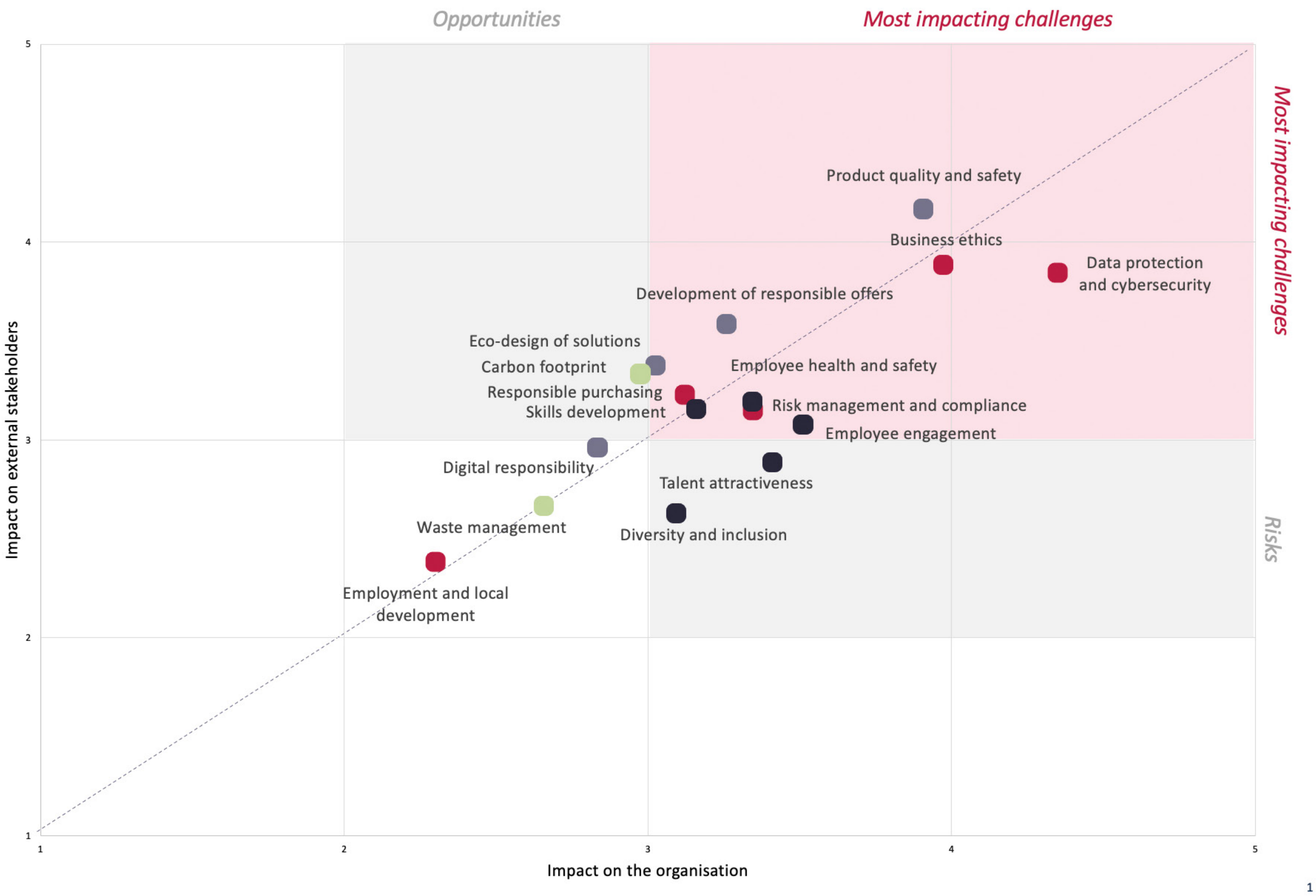
Neuilly-sur-Seine, March 1st 2024

One of the Statutory Auditors,
PricewaterhouseCoopers Audit

Flora Camp Partner	Aurélie Castellino Partner Sustainability

Appendix 1
Materiality matrix

A summary of the analysis presenting the CSR challenges can be found in the matrix below:



Governance

Product and services

Social

Environment

11 CSR challenges

Business ethics
Responsible purchasing
Data protection and cybersecurity
Risk management and compliance
Product quality and safety
Eco-design of solutions
Development of responsible offers
Carbon footprint
Employee engagement
Employee health and safety
Skills development

Appendix 2
List of challenges presented to stakeholders in the materiality analysis

	Category	Definition
1	Governance challenges	**Business ethics:** the Company conducts its business in an ethical manner, in compliance with all applicable legal provisions and its internal rules, and in such a way as to avoid the risks of corruption, fraud, money laundering, conflicts of interest, insider trading, tax evasion or other unlawful behavior.
2	Governance challenges	**Responsible purchasing:** the Company incorporates environmental and social criteria in its purchasing process and considers the impact of the products and services it purchases throughout their life cycle. The Company demands respect for human rights and ethical principles, and favors socially and environmentally responsible suppliers. It ensures that its materials are traceable, particularly for conflict minerals (tin, tungsten, tantalum and gold).
3	Governance challenges	**Data protection and cybersecurity:** the Company manages risks related to the collection, storage and use of sensitive and confidential data on employees, customers and partners, in compliance with the General Data Protection Regulation (GDPR) and other applicable regulations. Actions are taken to protect against security incidents, IT system intrusions and cyber-attacks.
4	Governance challenges	**Risk and compliance management:** the Company implements measures to manage the Company's risks and in particular to safeguard employee health, business continuity, and the continued operation and adaptation of its value chain.
5	Governance challenges	**Local employment and development:** the Company supports local job creation and participates in the development of local communities (schools, local suppliers, non-profit organizations, etc.).
6	Challenges relating to products and services	**Product quality and safety:** the Company ensures that products are safe for customers by complying with appropriate quality assurance and safety standards and applicable regulations. Customer satisfaction is based on the quality of the products and services delivered.
7	Challenges relating to products and services	**Eco-designed solutions:** the Company incorporates eco-design principles in its products (equipment and software) in order to reduce their lifecycle impact on the environment.
8	Challenges relating to products and services	**Digital responsibility:** as part of its 4.0 strategy, the Company is reducing the environmental impact of its digital services and the cloud-based services deployed for customers.
9	Challenges relating to products and services	**Developing responsible offers:** the Company develops offers that help customers meet their environmental challenges, in particular by optimizing their material consumption.
10	Environmental challenges	**Carbon footprint:** the Company is taking action to reduce greenhouse gas (GHG) emissions related to its internal activities, equipment transport, data centers and, more broadly, to all emissions associated with the Company's value chain.
11	Environmental challenges	**Management of waste:** the Company has taken measures to reduce its waste production (packaging, materials, etc.) and to recycle or reuse any waste. These measures also concern any possible hazardous waste generated on site.

Appendix 2 (next)

	Category	Definition
12	Employment challenges	**Attracting talents:** the Company is taking action to attract new talent, especially in specialized fields with tight labor markets.
13		**Employee engagement:** the Company takes measures to promote employee engagement through compensation policies, career opportunities, training, and more broadly, the quality of life at work (work-life balance, etc.).
14		**Employee health and safety:** the Company ensures working conditions for all employees and service providers that protect their health and safety. It makes every effort to reduce the risk of accidents and psychosocial risks.
15		**Skill development:** the Company has a training and skills development policy for employees in order to maintain their employability and to support them in in transitioning to new positions where required. The Company also develops the skills of young employees through work-study programs.
16		**Diversity and inclusion:** the Company undertakes never to discriminate against anyone, in particular on the grounds of gender, age, actual or assumed origin, sexual orientation, religion, disability or union membership. Hirings, dismissals, promotions and compensation are based solely on objective criteria or criteria prescribed by law.

Appendix 3

Risk, commitments and challenges mapping table

Chapter	Type of risk	Lectra commitment covering risk	Challenge in materiality matrix
4.1	Corruption, fraud	**Uncompromising business ethics**	**1**
4.2	Suppliers not aligned with CSR commitments, failures	**Responsible purchasing policy**	**2**
5.1	Poor environmental performance, impact on climate change	**Eco-design of products**	**7 and 8**
5.2	Poor environmental performance, impact on climate change, user safety	**Products and services that enable Lectra customers to reduce their environmental impact**	**3, 4, 6 and 9**
6.1	Inequalities, discrimination	**Equal opportunities for all**	**16**
6.2	Lack of attractiveness, negative impact on employer brand	**A working environment that favors employee engagement**	**13**
6.3	Psycho-social risks	**Work-life balance**	**13**
6.4	Loss of know-how	**Long-term development of talents, team expertise, and career paths**	**12 and 15**
6.5	Deterioration in work safety conditions	**Employee health and safety**	**14**
7	Poor environmental performance, impact on climate change	**Environmental management system**	**8, 10 and 11**

Appendix 4

Lectra's 12 commitments for Corporate Social Responsibility

OUR **CORPORATE SOCIAL RESPONSIBILITY** COMMITMENTS

01 Respecting the **highest ethical** standards

We lead by example and demonstrate a strong sense of responsibility.

- We are committed to **uncompromising business ethics.**
- We are committed to a **responsible purchasing policy.**

02 Designing **eco-responsible offers**

In implementing Industry 4.0 principles, we enable our customers to improve their environmental impact, primarily by reducing their material consumption.

- We commit to **eco-designing our offers**
- We commit to providing our customers with products and services that enable them to **reduce their impact on the environment.**
- We are committed to **safe, accessible and easy-to-use offers.**

03 Promoting an **inclusive, diverse and vibrant** work culture

We offer a safe work environment where employees from around the world can achieve their full potential, find fulfillment, and contribute to society.

- We are committed to **equal opportunities for all** and have zero tolerance towards discrimination and harassment.
- We commit to promoting **a work environment that favors employee engagement.**
- We commit to promoting **a sound balance between work life and personal life.**
- We commit to **developing talent, team expertise and career paths** over the long term.
- We commit to ensuring the **health and safety of our employees.**

04 Reducing the **environmental footprint** of our activities

We are committed to a virtuous, resilient industrial model, and are working constantly to limit our environmental impact, including for newly acquired companies.

- We commit to **reducing the environmental impact** of our activities.

05 Providing support for the **next generation**

We contribute to training the next generation of fashion professionals.

- We commit to sharing our knowledge, our expertise and our solutions to **help the next generation of fashion professionals to develop their skills and employability.**

Appendix 5

Map of corruption risks

The risks specifically related to corruption are set out in the following table :

Potential risks, by process

Sales & after-sales support/Maintenance

1. Direct sales to customers (public/private) (D)
2. Direct sales to customers (public/private) with intermediation through brokers or commercial agents (D)
3. Sales to customers benefiting from subsidies (D)
4. Sales / Installation of software with a partner (D)
5. After-sales support and customer maintenance (R)
6. Grants of favorable sales terms (R)

OPERATIONS & LOGISTICS

10. Industrial site controls and product certification (D)
11. Customs formalities for machines in risky countries (D)

R&D/Intellectual property

12. Theft of intellectual property (plans / patents) & trade secrets (R)

PURCHASES

7. Purchases of components & spare parts, and after-sales support (R)
8. Purchases of components & spare parts – shortages & obsolescence (D)
9. Other purchases (on-site maintenance / CAPEX / services) (R)

LEGAL & GENERAL SECRETARIAT

13. Local authority controls (e.g., tax) in a risky country (D)
14. Subsidiary incorporation (administrative procedures) in a risky country (D)

EXTERNAL GROWTH

15. Mergers and acquisitions – Conditions for completing a deal (D/R)
16. Mergers and acquisitions – Breach of probity by recently acquired targets (D)

Legend: (D) related to given corruption scenarios and (R) related to received corruption scenarios (with personal enrichment of an employee from the Lectra Group)

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 the company Lectra (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, 2023;
- 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 under the supervision of the Chairman and Chief Executive Officer, with the contribution of 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 28, 2024 and given to the Company's Statutory Auditors.

SUMMARY

Implementation of the AFEP-MEDEF Code

The Company aims to apply best practices in corporate governance.

In this respect, it 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)* (hereinafter referred to as the "**AFEP-MEDEF Code**") in December 2008 and revised in December 2022. 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 28.1 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 specialized 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/corporate-governance/bylaws-and-rules).

On the date of this Report, Lectra considers it complies with all the recommendations of the AFEP- MEDEF Code with the exception of recommendations 5.3 and 5.4 concerning the determination of strategic objectives on climate-related issues, and presentation of the climate strategy to the Shareholders' Meeting, it being specified however that these recommendations will be applied from the Shareholders' Meetings in 2024 and 2025, respectively.

Divergence from a recommendation of the AFEP-MEDEF Code	Lectra's practice and explanation	
Article 5.3 – Determination of strategic objectives on climate-related issues	**Fiscal year 2023**	**From fiscal year 2024 onwards**
	In the fourth quarter of 2023 Lectra strengthened CSR governance with the recruitment of a General Secretary, who also serves as the CSR referent, in the Executive Committee, and the appointment of a Vice President Sustainability. Furthermore, several consulting projects were carried out during the year with a view to determining strategic objectives on climate-related issues and drawing up an action plan for 2030.	In accordance with the CSR strategy defined in the 2023-2025 strategic roadmap, the climate orientations and action plan will be defined by the CSR team, then submitted to the CSR Committee, and validated by the Board of Directors.
Article 5.4 – Presentation of the climate strategy and the main actions undertaken to this end to the Annual Shareholders' Meeting at least every three years, or in the event of a significant change in the strategy	**2024 Shareholders' Meeting**	**From the 2025 Shareholders' Meeting**
	The strategic objectives on climate-related issues are currently being formulated; the presentation of the climate strategy has therefore been postponed to the 2025 Shareholders' Meeting.	Each year, starting in 2025, Lectra will present to the Shareholder's Meeting its climate strategy, its annual climate assessment, and the major actions undertaken.

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 Ross McInnes 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/corporate-governance/bylaws-and-rules), 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 chapter 1.4.2 of this Report regarding the composition of the Board of Directors);
- the presence of a Lead Director, who is an Independent Director invested with specific missions and prerogatives (see chapter 1.4.5 of this Report regarding the role and missions of the Lead Director);
- the existence of five specialized committees of the Board of Directors, with separate missions and prerogatives in audit, strategy, CSR, compensation and nominations (see chapter 1.4.4 of this Report regarding the role and composition of the committees);
- the chairing by Independent Directors of the Audit Committee, CSR Committee, Compensation Committee and Nominations Committee;
- a meeting of Non-Executive Directors, in the absence of the Chairman and Chief Executive Officer, at least once a year (see chapter 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 chapter 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 the Chairman and Chief Executive Officer and the Directors. The annual self-evaluation of the functioning of the Board of Directors, conducted late in 2023, 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 the Executive Management and the Board of Directors.

This organization of Executive Management recently proved its effectiveness in the difficult international situation of the last years (major health crisis, deteriorating macroeconomic and geopolitical environment), where the involvement and responsiveness of the Directors and the Executive Management came to the fore.

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 and reports to the Shareholders' Meeting;
- he 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.

(1) The missions and powers of the Lead Director are described in greater detail in paragraph 1.4.5 of this Report.
Ross McInnes was named Lead Director on April 28, 2023; the position was previously held by Bernard Jourdan, whose term expired at the close of the Shareholders' Meeting of April 28, 2023.

The Chairman and Chief Executive Officer 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.

On the date of this Report, the Executive Committee has fifteen members, five women and ten men:

- Daniel Harari, Chairman and Chief Executive Officer, Chairman of the Executive Committee;
- Jérôme Viala, Executive Vice President, Vice Chairman of the Executive Committee[1];
- Maximilien Abadie, Chief Strategy Officer, Chief Product Officer;
- Anne Borfiga, General Secretary;
- Fabio Canali, President, Europe, Middle East & Africa;
- Antonella Capelli, Senior Vice President Sales, Europe, Middle East & Africa;
- Thierry Caye, Chief Technology Officer;
- Olivier du Chesnay, Chief Financial Officer;
- Javier Garcia, Chief Customer Officer;
- Laurence Jacquot, Chief Customer Success Officer;
- Michael Jaïs, Chief Executive Officer & Co-founder, Launchmetrics (company of the group Lectra);
- Leonard Marano, President, Americas;
- Maria Modrono, Chief Marketing and Communications Officer;
- Frédéric Morel, President, Asia-Pacific;
- Rani Rao, Chief People Officer.

The biographies of the Executive Committee members are available on the Company's website in the "Corporate Governance", "Executive Committee" chapter (https://www.lectra.com/en/investors/corporate-governance/executive-committee).

Policy on gender balance in managing bodies

In compliance with article L.22-10-10 of the French Commercial Code and with Recommendation 8 of the AFEP-MEDEF Code, on a proposal by the Executive 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 2023 are described in detail in chapter 6.1.1 of the Non-financial Statement.

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 the Group and ensures their execution, while integrating in particular social, societal and environmental issues.

The members of the Board of Directors are informed of any important event concerning the operation of the Company, and more generally of market developments, the competitive environment and the most important issues facing the Group.

The Board of Directors performs controls and verifications as it deems appropriate. 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 and decides on important operations, potentially after review by the Strategic Committee.

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 euros.

The Board of Directors appoints the company officers[2] (*dirigeants mandataires sociaux*) 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. It decides on the principles and criteria for compensation of the company officers, which are then submitted for approval by the Shareholders' Meeting.

The Board of Directors reviews on a regular basis, in line with the strategy it has defined, financial, legal, operational, labor-related and environmental risks and opportunities, as well as the measures taken. 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 ensures that a system for the prevention and detection of corruption and influence peddling is in place and receives all necessary information in this respect. It 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.

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 Group, and its long-term outlook.

(1) Until his retirement on March 31, 2024. A proposal will be made at the Annual Shareholders' Meeting of April 26, 2024 to elect Jérôme Viala as a Director.
(2) 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.

1.4.2. Membership of the Board of Directors

On the date of this Report, the Board of Directors has eight members:

Daniel Harari
- Chairman and Chief Executive Officer
- Chairman of the Strategic Committee

Ross McInnes
- Lead Independent Director
- Chairman of the Nominations Committee
- Member of the Audit Committee and Strategic Committee

Céline Abecassis-Moedas
- Independent Director
- Chairman of the Compensation Committee
- Member of the Strategic Committee and CSR Committee

Karine Calvet
- Independent Director
- Member of the Strategic Committee and CSR Committee

Jean Marie (John) Canan
- Director
- Member of the Audit Committee, Strategic Committee and Compensation Committee

Nathalie Rossiensky
- Independent Director
- Chairman of the Audit Committee
- Member of the Strategic Committee, Compensation Committee and Nominations Committee

Pierre-Yves Roussel
- Independent Director
- Member of the Strategic Committee

Hélène Viot Poirier
- Independent Director
- Chairman of the CSR Committee
- Member of the Audit Committee, Strategic Committee and Nominations Committee

8
Directors
of which 6 are independent

4/4
Gender balance female/male

1
Lead Director

4 years
Term of office

5
Specialized committees

Rate of attendance in 2023

99%
board

100%
committes

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 9 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 2023

Re-elected	N/A
Elected	Karine Calvet (Independent Director) Pierre-Yves Roussel (Independent Director)
Term expired	Bernard Jourdan (Lead Independent Director) Anne Binder (Independent Director)

Board of Directors and Board of Directors' committees overview

■ President
■ Member

	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 other 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	CSR Committee
Daniel Harari Chairman and Chief Executive Officer	69	M	FR	4,807,560	0	No	1991	SM 2024[1]	33			President		
Ross McInnes Lead Independent Director	70	M	FR AUS	750	2	Yes	29/04/2022[2]	SM 2026	2	Member		Member	President	
Céline Abecassis-Moedas Independent Director	52	F	FR	750	1	Yes	30/04/2021	SM 2025	3		President	Member		Member
Karine Calvet Independent Director	56	F	FR	3	0	Yes	28/04/2023	SM 2027	1			Member		Member
Jean Marie Canan Director	67	M	CAN	275	1	No	01/06/2021	SM 2025[3]	3	Member	Member	Member		
Nathalie Rossiensky Independent Director	54	F	FR	1,500	0	Yes	29/04/2016	SM 2024[1]	8	President	Member	Member	Member	
Pierre-Yves Roussel Independent Director	58	M	FR	1	0	Yes	28/04/2023	SM 2027	1			Member		
Hélène Viot Poirier Independent Director	51	F	FR	1	0	Yes	29/04/2022	SM 2026	2	Member		Member	Member	President

(1) A proposal will be made at the Annual Shareholders' Meeting of April 26, 2024, to reelect Daniel Harari and Nathalie Rossiensky as Directors.
(2) As a reminder, Ross McInnes was a Director of the Company from January 1, 2018 to April 30, 2020.
(3) Jean Marie Canan has decided to resign effective at the close of the Board of Directors' meeting on April 24, 2024. For more information on changes in the membership of the Board of Directors, see chapter 1.4.2. Membership of the Board of Directors, paragraph "Proposed change in the composition of the Board of Directors submitted to the 2004 Shareholders' Meeting called to approve the financial statements for fiscal year ended December 31, 2023".

The members of the Board of Directors of Lectra

Daniel Harari

Chairman and Chief Executive Officer
Chairman of the Strategic Committee

Age
69

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[1]

Number Lectra shares held
4,807,560

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 (1980-1983). He was then Chairman and Chief Executive Officer of La Solution Informatique (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 serves again as Chairman and Chief Executive Officer of Lectra.

Directorships expired in the past five years

- None

Other current positions and directorships

- None

(1) A proposal will be made at the Annual Shareholders' Meeting of April 26, 2024, to reelect Daniel Harari as a Director. Subject to a favorable vote by the Shareholders' Meeting, the Board of Directors at their meeting on April 26, 2024, will reappoint Daniel Harari as Chairman and Chief Executive Officer

Ross McInnes

Lead Independent Director
Chairman of the Nominations Committee
Member of the Audit Committee and the Strategic Committee

Age
70

Nationality
Australian French

Director since
April 29, 2022(1)

Term of office began
April 29, 2022

Term of office ends
at end of the Shareholders' meeting called to approve the financial statements for fiscal year ended December 31, 2025

Number Lectra shares held
750

Biography – Experience and expertise

Ross McInnes is a graduate of Oxford University. He started his career in 1977 with Kleinwort Benson, first working in London then in Rio de Janeiro. In 1980, he joined Continental Bank (now Bank of America), holding several positions in the corporate finance arm, first in Chicago and then in Paris.

He joined Eridania Beghin-Say in 1989, being named Chief Financial Officer in 1991, then a member of the Board of Directors in 1999. The following year, Ross McInnes joined Thomson-CSF (now Thales) as Executive Vice President and Chief Financial Officer, assisting in the group's transformation. In 2005 he moved to PPR (now Kering) as Executive Vice President for Finance and Strategy. He was appointed to the Supervisory Board of Générale de Santé in 2006, serving as acting Chairman of the Management Board from March to June 2007. He was also Vice Chairman of Macquarie Capital Europe, specialized in infrastructure investments.

Ross McInnes joined Safran in March 2009, and was named Executive Vice President, Economic and Financial Affairs in June. From July 2009 to April 2011 he was a member of the Executive Board, and then from April 2011 to April 2015 he was Deputy Chief Executive Officer.

On April 23, 2015 he was named Chairman of the Board of Safran.

Ross McInnes is also a Director of Engie.

In February 2015, Ross McInnes was appointed by the French Ministry of Foreign Affairs as Special Representative for Economic Relations with Australia, within the scope of France's economic diplomacy policy.

In October 2017, the French Prime Minister appointed Ross McInnes as co-chairman of the "Action Publique 2022" committee, responsible for proposing public policy reforms, an assignment that has now been completed.

Directorships expired in the past five years

- Director, Chairman of the Appointments and Governance Committee, member of the Audit, Risks and Compliance Committee, Eutelsat Communications* to November 2022;
- Director, member of the Audit, Compensation and Strategic Committees, Lectra from January 2018 to April 2020;
- Non-executive Director, Chairman of the Audit Committee, IMI plc* to October 2017;
- Director, Chairman of the Audit Committee, Faurecia* to May 2017;
- Trustee and Director of the IFRS Foundation (United States, United Kingdom) from January 2018 to January 2024.

Other current positions and directorships

- Chairman of the Board of Directors, Safran*
- Director, Chairman of the Ethics, Environment and Sustainable Development Committee, member of the Audit Committee and the Strategy, Investment and Technology Committee, Engie*

(1) As a reminder, Ross McInnes was a Director of the Company from January 1, 2018 to April 30, 2020.
*listed company

Céline Abecassis-Moedas

Independent Director
Chairman of the Compensation Committee
Member of the Strategic Committee
and the CSR Committee

Age
52

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
750

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. 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. She was an Independent Director at CTT (CTT Correios de Portugal, S.A.) from 2016 to 2020 and at GreenVolt SA from 2021 to 2023. She is an Independent Director and Chairperson of the Innovation and Sustainable Development Committee at CUF SA (since 2016) and Independent Director at Vista Alegre Atlantis (since 2020).

Céline Abecassis-Moedas is IDP-C certified in Corporate Governance from INSEAD (2017).

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 2019) 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);
- Independent Director of GreenVolt, SA* (Portugal, from 2021 to 2023).

Other current positions and directorships

- Dean of Executive Education at Católica-Lisbon (Portugal);
- Independent Director and Chairperson of the Innovation and Sustainable Development Committee at CUF, SA (Portugal, since 2016);
- Independent Director of Vista Alegre Atlantis,* SA (Portugal, since 2020).

*listed company

Karine Calvet

Independent Director
Member of the Strategic Committee
and the CSR Committee

Age
56

Nationality
French

Director since
April 28, 2023

Term of office began
April 28, 2023

Term of office ends
at end of the Shareholders' meeting called to approve the financial statements for fiscal year ended December 31, 2026

Number Lectra shares held
3

Biography - Experience and expertise

Karine Calvet is a graduate of Sciences Po and of Université Paris 1 Panthéon-Sorbonne. She has devoted most of her career to information technology; sixteen years in services companies, seven years in telecommunications, and six years in software. She has had leadership roles in telecommunications environments for leading global companies (CGI, Capgemini, Alcatel-Lucent, Verizon, Microsoft and currently Schneider-Aveva), focusing on digital transformation.

In the last two years, as Vice President, Southern Europe then Vice President, EMEA in charge of Partners and Alliances at AVEVA (Schneider group), Karine Calvet has worked closely with industrial companies to help them meet the challenges of operational efficiency, safety, cost management, sustainability and decarbonization by taking advantage of digitalization.

Directorships expired in the past five years

- None

Other current positions and directorships

- Vice President, EMEA in charge of Partners and Alliances at AVEVA (Schneider group)

Jean Marie (John) Canan

Director
Member of the Audit Committee, the Strategic Committee and the Compensation Committee

Age
67

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[1]

Number Lectra shares held
275

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, of MolyCop, and Sauvie Inc, American non-listed companies and of Angkor Hospital for Children, a U.S.-based non-profit pediatric hospital.

Directorships expired in the past five years

- Director, Willow BioPharma (Canada);
- Director and Chairman of the Audit Committee, Acasti Pharma (ACST)* (Canada).

Other current positions and directorships

- Lead Independent Director and Chairman of the Audit Committee, REV Group* (USA);
- Director and Chairman of the Audit Committee, Molycop (USA);
- Lead Director of Sauvie Inc (USA);
- Director, Angkor Hospital for Children, a non-profit organization (USA).

(1) Jean Marie Canan has decided to resign effective at the close of the Board of Directors' meeting on April 24, 2024. For more information on changes in the membership of the Board of Directors, see chapter 1.4.2. Membership of the Board of Directors, paragraph "Proposed change in the composition of the Board of Directors submitted to the 2004 Shareholders' Meeting called to approve the financial statements for fiscal year ended December 31, 2023".
*listed company

Nathalie Rossiensky

Independent Director
Chairman of the Audit Committee
Member of the Strategic Committee, the Compensation Committee and the Nominations Committee

Age
54

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[1]

Number Lectra shares held
1,500

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 Associate Capital Partner of the group Lombard Odier.

Based in Paris, she is responsible for management of financial assets in all asset classes, including unlisted assets, with a pronounced focus on sustainability.

Directorships expired in the past five years

- Director, Selectys (SICAV)

Other current positions and directorships

- Associate Capital Partner, group Lombard Odier

(1) A proposal will be made at the Annual Shareholders' Meeting of April 26, 2024, to reelect Nathalie Rossiensky as a Director.

Pierre-Yves Roussel

Independent Director
Member of the Strategic Committee

Age
58

Nationality
French

Director since
April 28, 2023

Term of office began
April 28, 2023

Term of office ends
at end of the Shareholders' meeting called to approve the financial statements for fiscal year ended December 31, 2026

Number Lectra shares held
1

Biography - Experience and expertise

Pierre-Yves Roussel graduated from the University of Brussels and of London Chamber of Commerce and holds an MBA from the Wharton School (University of Pennsylvania). He began his career in investment banking with HSBC in Brussels, before moving to Morgan Stanley in London.

In 1990, he joined management consulting firm McKinsey & Company in France, where he led numerous consultancy assignments in the fashion, luxury, retail and media sectors in Europe and Asia (Hong Kong, China, Japan). He was elected Partner in 1998 and Global Senior Partner (Director) six years later.

In 2004, he joined the LVMH Group Executive Committee as Executive Vice President, Strategy and Operations, reporting directly to Bernard Arnault. In 2006, he was appointed Chairman and CEO of LVMH Fashion Group, one of the LVMH Group's five branches of operational activity, which assembles all of LVMH's fashion brands, except Louis Vuitton. From 2006 to 2018, he was Chairman of the Board of the brands Céline, Givenchy, Loewe, Kenzo, Pucci, Rossimoda, Marc Jacobs, Donna Karan, Berluti, JW Anderson and Nicolas Kirkwood. The Fashion Group tripled in size under his tenure as Chairman and CEO. He has also been a member on several prestigious fashion juries including Andam, CFDA Fashion Incubator, and the LVMH Fashion Prize. He was a member of the management committee of the Chambre Syndicale de la Mode et de la Couture from 2010 to 2018.

He left the LVMH Group in 2018 to assume the position of CEO – based in New York – of Tory Burch, the private family-run company founded by his wife in 2004 that now has over 350 stores worldwide, 13 retail websites, and nearly 5,000 employees.

Directorships expired in the past five years

- Director of Salvatore Ferragamo Finanziaria between 2020 and 2021;
- Chairman and Chief Executive Officer of LVMH* Fashion Group from 2006 to January 2018.

Other current positions and directorships

- Chief Executive Officer of Tory Burch since January 2019 (USA).

*listed company

Hélène Viot Poirier

Independent Director
Chairman of the CSR Committee
Member of the Audit Committee, the Strategic Committee and the Nominations Committee

Age
51

Nationality
French

Director since
April 29, 2022

Term of office began
April 29, 2022

Term of office ends
at end of the Shareholders' meeting called to approve the financial statements for fiscal year ended December 31, 2025

Number Lectra shares held
1

Biography - Experience and expertise

Hélène Viot Poirier is a graduate of HEC Paris. She began her career in the Internet sector in 1997 in start-ups with Club Internet (Lagardère group), then worked for Kertel (Kering group). In 2001, she joined the Orange group, where, as Business Unit Director, she developed the ADSL market in France, then the mobile multimedia services market. She then took on the overall management of Orange's digital activities in France in 2010 as Vice President of Portal and Digital Services (over 100 million euros in revenues, and managing a division with 1000 employees).

In 2016, she joined the Vivarte group (2 billion euros in revenues, 12 fashion brands), as Chief Digital and Marketing Officer and a member of the Executive Committee.

In 2017, she became Chairman and Chief Executive Officer of Chevignon, part of the Vivarte group, turned around the company and brand, and launched the first environmentally responsible collection. As part of a strategic restructuring of Vivarte, the shareholder of Chevignon, she led the process of selling Chevignon.

Since 2020, as an Independent Senior Advisor, she has supported strategic internal and external growth projects in the fashion, digital and consumer goods sectors.

Hélène Viot Poirier has been an Independent Director on the Board of Selinko (unlisted) since 2021 and a Board Advisor of ConsoFlash, part of the Mediaperformances group (unlisted), since 2018.

Directorships expired in the past five years

- Chairperson and Chief Executive Officer of Chevignon until 2019;
- Board Advisor of CF Group until 2023.

Other current positions and directorships

- Independent Director of Selinko (Belgium) since 2021;
- Board Advisor of ConsoFlash, Mediaperformances group, since 2018.

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. *(Articles L.22-10-3 and L.225-18-1 of the French Commercial Code)*	4 men and 4 women.
Diversity of competencies, and complementary profiles	Complementary profiles in terms of areas of expertise.	Competencies represented: strategy, management, industry, knowledge of Lectra markets, finance, audit and risks, acquisitions, governance, corporate social responsibility, information systems and cybersecurity.
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. Ross McInnes is Australian French. Céline Abecassis-Moedas is a resident of Portugal. Pierre-Yves Roussel is a resident of America.
Directors' independence	At least half the members of the board of directors should be independent. *(Article 10.3 of the AFEP-MEDEF Code)*	75% 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)*	None of the Directors are older than the 72 year old age limit. The average age is 60, and the range is from 51 to 70.

Competencies represented within the Board of Directors

	Strategy	Management	Industry	Lectra markets	Finance, audit and risks	Acquisitions	Governance	Social responsibility	Societal responsibility	Environmental responsibility	Information systems / cybersecurity	International experience
Daniel Harari	■	■	■	■	■	■	■	■		■		■
Ross McInnes	■	■	■	■	■	■	■	■	■	■		■
Céline Abecassis-Moedas	■	■		■			■	■	■	■		■
Karine Calvet	■	■	■				■	■	■	■	■	■
Jean Marie Canan	■	■	■		■	■	■				■	■
Nathalie Rossiensky	■	■			■		■	■	■	■		■
Pierre-Yves Roussel	■	■		■	■	■	■	■	■	■		■
Hélène Viot Poirier	■	■		■	■	■	■	■	■	■	■	■
% of Directors	**100%**	**100%**	**50%**	**63%**	**75%**	**63%**	**100%**	**88%**	**75%**	**88%**	**38%**	**100%**

Training of Directors

Non-Executive Directors receive training on the specific characteristics of the Company, its businesses, sectors of activity, products and services, operational, social and environmental issues, as well as its organization and operating mode, in order to gain a thorough understanding thereof.

Meetings with the Company's principal senior Group managers, and a visit of the Group's technology campus, situated in Bordeaux-Cestas were organized in December 2023 for all the Directors.

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 10.3 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, and determined by the Board of Directors when appointing a director, as well as annually for all directors.

During the meeting on January 16, 2024, attended by the Chairman and Chief Executive Officer, the Nominations Committee discussed the qualification of each Director in office, as well as each candidate. The Board of Directors, at its meeting on February 28, 2024, decided upon the qualifications of Independent Director proposed by the Nominations Committee, as follows:

- Céline Abecassis-Moedas, Karine Calvet, Nathalie Rossiensky, Hélène Viot Poirier, Ross McInnes and Pierre-Yves Roussel 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 Lectra, or one of the companies of the Group);
- 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 12.7% of the capital and 12.6% the voting rights of the Company;
- Jean Marie Canan is not considered an independent director because he was proposed by AIPCF VI Funding LP, one of the Company's reference shareholders between June 2021 and February 2024, under the Stable Shareholding Agreement[1].

(1) Jean Marie Canan was proposed as a Director by AIPCF VI Funding LP (AIP), 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 221C 2808 - FR0000065484 - PA14 dated October 20, 2021). 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. The Agreement remained in force to February 21, 2024, the date that AIP reduced its holding to 3.82%, which automatically terminated the Agreement.

The following table sets out the status of each Director with regard to the criteria for independence set out in article 10.5 , 10.6 et 10.7 of the AFEP-MEDEF Code:

Criteria for independence	Daniel Harari	Ross McInnes	Céline Abecassis-Moedas	Karine Calvet	Jean Marie Canan	Nathalie Rossiensky	Pierre-Yves Roussel	Hélène Viot Poirier
Criterion 1: Employee or company officer within the previous 5 years	**yes**	no	no	no	no	no	no	no
Criterion 2: Cross-Directorships	no	no	no	no	no	no	no	no
Criterion 3: Significant business relationships	no	no	no	no	no	no	no	no
Criterion 4: Family ties to a company officer	no	no	no	no	no	no	no	no
Criterion 5: Auditor within the previous 5 years	no	no	no	no	no	no	no	no
Criterion 6: Period of office exceeding 12 years	**yes**	no	no	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	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	**yes**(1)	no	no	no

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 eight members, four women and four men.

Age limit for Directors and for the Chairman of the Board of Directors

Under article 11 of the Company by-laws, 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.

Under article 13 of the Company's by-laws, the age limit for the position of Chairman of the Board of Directors is 76.

On the date of this Report, no Director, nor the Chairman of the Board of Directors is older than the age limit.

(1) Jean Marie Canan was proposed as a Director by AIPCF VI Funding LP (AIP), 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 221C 2808 - FR0000065484 - PA14 dated October 20, 2021). 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. The Agreement remained in force to February 21, 2024, the date that AIP reduced its holding to 3.82%, which automatically terminated the Agreement.

Duration of Directors' appointments

In accordance with the recommendations of article 15.1 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 15.2 of the AFEP-MEDEF Code, a staggering of terms of office and the renewal of the Board of Directors by quarters has been gradually put in place through the early reelection of certain Directors in 2019 and the election of new Directors in 2021 and in 2022.

The following table indicates when the Directors' terms of office end:

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	Directors whose term of office ends at the close of the 2026 Shareholders' Meeting called to approve the financial statements for fiscal year 2025	Directors whose term of office ends at the close of the 2027 Shareholders' Meeting called to approve the financial statements for fiscal year 2026
Daniel Harari *(Chairman and Chief Executive Officer)*(1)	Céline Abecassis-Moedas *(Independent Director)*	Hélène Viot Poirier *(Independent Director)*	Karine Calvet *(Independent Director)*
Nathalie Rossiensky *(Independent Director)*(1)	Jean Marie Canan *(Director)*(2)	Ross McInnes *(Lead Independent Director)*	Pierre-Yves Roussel *(Independent Director)*

(1) A proposal will be made at the Annual Shareholders' Meeting of April 26, 2024, to reelect Daniel Harari and Nathalie Rossiensky as Directors.
(2) Jean Marie Canan has decided to resign effective at the close of the Board of Directors' meeting on April 24, 2024

Directors' and Chairman and Chief Executive Officer's shareholdings

Article 21 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 12 of the Bylaws stipulates that each Director must own at least one share of stock throughout his or her term of office. In addition to this requirement, Article 1.11 of the Internal Rules and Procedures, as amended by the Board of Directors on April 29, 2022, stipulates that all Directors must own at least 750[1] 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, Céline Abecassis-Moedas, Nathalie Rossiensky and Ross McInnes each hold at least 750 Lectra shares.

Jean Marie Canan (elected in 2021 and holds 275 Lectra shares), Hélène Viot Poirier (elected in 2022 and holds 1 Lectra shares), Karine Calvet (elected in 2023 and holds 3 Lectra shares) and Pierre-Yves Roussel (elected in 2023 and holds 1 Lectra share) undertake to invest 25% of their gross annual compensation to gradually acquire Lectra shares, as provided in the Internal Rules and Procedures.

Number of Directorships held by the Chairman and Chief Executive Committee and the Directors

Article 20.2 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 1.8 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 20.4 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 1.8 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.

(1) In the most recent revision of the Internal Rules and Procedures, the Board of Directors, at its meeting on April 29, 2022, reduced the minimum number of shares that Directors must own from 1500 to 750 to take into account the significant increase in the Lectra share price.

In keeping with these rules, no Lectra Director holds more than four other positions in listed companies.

Selection procedure for Directors

Under article 18.2.1 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 adopted, at its meeting on July 29, 2021, and then updated, at its meeting on February 23, 2023, a formal written procedure setting out the selection procedure for Independent Directors. This procedure is published on the Lectra website (https://www.lectra.com/en/investors/corporate-governance/bylaws-and-rules), 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 remaining Independent Directors and the Chairman and Chief Executive Officer;
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.

Since 2021, consideration has been given to the appropriate composition of the Board of Directors and Board committees, taking into account the Company's strategic orientations, emerging requirements regarding expertise and experience, and the expiry dates of directors' terms of office. Drawing on the work and recommendations of the Nominations Committee and the conclusions of the three-year self-evaluation performed in 2021, the Board of Directors has established a succession plan for the Board of Directors and a director diversity policy that aim to maintain gender balance and ensure diverse, complementary profiles in terms of age, seniority, independence, areas of expertise, and experience, including international experience.

The selection procedure for Independent Directors was first implemented in 2021 and has been applied each year since then:

- in 2021, in view of the Annual Shareholders' Meeting of April 29, 2022, for the purpose of identifying and selecting candidates for two new positions of Director (for additional information, see the chapter on "Selection procedure for Directors" in the 2021 Financial Report);
- in 2022, in view of the Annual Shareholders' Meeting of April 28, 2023, to identify and select candidates to replace two outgoing Directors (for more information, see the chapter on "Selection procedure for Directors" in the 2022 Financial Report);

In view of the Annual Shareholders' Meeting of April 26, 2024, the Nominations Committee meeting on January 16, 2024 examined the case for renewing the terms of office of Daniel Harari and Nathalie Rossiensky and evaluated the nomination of Jérôme Viala using a competency matrix. It discussed the merits and complementarity of each profile in relation to the current composition of the Board of Directors, and issued its reasoned opinion. The Board of Directors meeting of February 28, 2024 decided to follow the recommendations of the Nominations Committee to propose:

- the re-election of Daniel Harari, Chairman and Chief Executive Officer, in accordance with the succession plan (see chapter 1.4.6 of this Report, "Chairman and Chief Executive Officer's succession plan")
- the re-election of Nathalie Rossiensky, Independent Director since 2016, whose contribution to the work of the Board of Directors and the specialized committees (in particular the Audit Committee, which she has chaired since April 2022) is considered essential, and
- the election of Jérôme Viala, who has held since 1985 different positions within the Group and currently (until his retirement on March 31, 2024) serves as Executive Vice President, Vice Chairman of the Executive Committee, and Secretary of the Board of Directors. If elected, Jérôme Viala, will bring to the Board of Directors his in-depth knowledge of the Group, in particular it's markets and organization, as well as his expertise in management, finance, industrial operations and governance.

Proposed change in the composition of the Board of Directors submitted to the 2024 Shareholders' Meeting called to approve the financial statements for fiscal year ended December 31, 2023

Resignation of Jean Marie Canan

In a letter dated October 25, 2023, Jean Marie Canan informed the Board of Directors of his decision to resign, due to personal reasons, as Director effective at the close of the Board of Directors' meeting on April 24, 2024. As a reminder, Jean-Marie Canan was proposed as a Director by AIPCF VI Funding LP (**AIP**) under the agreements entered into on June 1, 2021, regarding the acquisition by Lectra of Gerber Technology, the USA-based company, inter alia the Stable Shareholding Agreement (see AMF notice 221C2808 – FR0000065484 - PA14 dated October 20, 2021). 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, as well as the Audit Committee, the Compensation Committee and the Strategic Committee must include one Director proposed by AIP. The Agreement terminated on February 21, 2024, the date that AIP reduced its holding to 3.82%.

Proposal to re-elect Daniel Harari and Nathalie Rossiensky as Directors

As the term of office of Daniel Harari and Nathalie Rossiensky ends at the close of the Annual Shareholders' Meeting of April 26, 2024, the Board of Directors, on a recommendation by the Nominations

Committee, will propose to the Shareholders' Meeting their re-election for a further four-year term expiring at the end of the Shareholders' Meeting called to approve the financial statements for fiscal year ended December 31, 2027.

Subject to a favorable vote by the shareholders, Daniel Harari will be re-elected as Chairman of the Board and reappointed as Chief Executive Officer by the Board of Directors meeting immediately following the Shareholders' Meeting. He will continue to chair the Strategic Committee. Nathalie Rossiensky will continue to chair the Audit Committee and will remain a member of the Strategic Committee, the Compensation Committee and the Nominations Committee.

Proposal to elect Jérôme Viala

On a recommendation by the Nominations Committee, the Board of Directors will propose to the Annual Shareholders' Meeting of April 26, 2024 to elect Jérôme Viala as Director 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, 2027. If elected, he will be appointed to the Audit Committee, the Strategic Committee and the Compensation Committee.

At the close of the Shareholders' Meeting of April 26, 2024, subject to a favorable vote on the re-election of Daniel Harari and Nathalie Rossiensky, and the election of Jérôme Viala, and in light of the resignation of Jean Marie Canan, the membership of the Board of Directors would thus still 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 16.3 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 chapter 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 April 29, 2022 and are available on the Company's website (https://www.lectra.com/en/investors/corporate-governance/bylaws-and-rules).

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 1.9 of the Internal Rules and Procedures.

Pursuant to article 1.9 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.

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 Company or one of the companies of 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.

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 annual, half-year and quarterly 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 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, 2023 and December 31, 2024 was finalized by the Board of Directors at its meetings on October 25, 2022 and April 28, 2023, respectively. The dates of seven meetings of the Board of Directors are decided on the basis of this calendar. These comprise the annual, half-year and quarterly 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 26, 2024 is made payable for the granting of the annual stock option 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 Statutory Auditors are invited to, and systematically attend, all meetings of the Board of Directors which examine and approve the annual and interim accounts. They may also be invited to any other meeting, if this seems appropriate.

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 Company's by-laws, 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 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 eight times in 2023, with an effective attendance rate of 99%, no written consultations were held.

Work performed in 2023

The Board of Directors addressed, inter alia, the following matters in 2023:

- the parent company and consolidated financial statements for the fiscal year ended December 31, 2022 and the notes thereto;
- the strategic directions and the new strategic roadmap 2023-2025;
- the Group's prospects for organic and external growth and the Group's principal strategic opportunities and initiatives, inter alia, the project to acquire the company Launchmetrics and the project to in-house the manufacturing of certain Gerber-brand products by taking over operations and production assets from VDL Enabling Technologies Group of Suzhou Ltd, the former contract manufacturer;
- the budget and the related scenarios for fiscal year 2023;
- the 2023 half-year and quarterly financial statements and management reports;
- press releases;
- update of the risk mapping, including the mapping of risks of corruption and influence peddling;
- implementation of CSR strategy, including review of results achieved in 2022 and the action plan for 2023-2025;
- the reports of the Board of Directors to the Annual Shareholders' Meeting of April 28, 2023 (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, 2022, and the corresponding capital increase;
- authorization of commitments, guarantees and sureties;
- ordinary agreements entered into or continued during the fiscal year ended December 31, 2022;
- the compensation of company officers in respect of fiscal years 2022 and 2023, it being specified that in compliance with article 19.3 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, and the selection of new Directors;
- the financial forecast documents;
- the share buyback program and the liquidity agreement;
- the 2023 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;
- update of the procedure for the selection of independent Directors; and
- the financial calendar for the 2024 and 2025 fiscal years (through the Shareholders' Meeting of 2025).

Attendance of members of the Board of Directors

In accordance with article 12.1 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, 2023:

	Board of Directors		Audit Committee		Strategic Committee		CSR Committee		Compensation Committee		Nominations Committeee	
	Number of meetings(1)	%	Number of meetings	%	Number of meetings	%	Number of meetings	%	Number of meetings	%	Number of meetings	%
Daniel Harari Chairman and Chief Executive Officer	8/8	100%	Not a member		6/6	100%	Not a member		Not a member		Not a member	
Ross McInnes Lead Independent Director	7/8	88%	7/7	100%	6/6	100%	Not a member		Not a member		1/1	100%
Bernard Jourdan(2) Independent Director	3/3	100%	3/3	100%	1/1	100%	Not a member		3/3	100%	1/1	100%
Céline Abecassis-Moedas(3) Independent Director	8/8	100%	3/3	100%	6/6	100%	4/4	100%	5/5	100%	Not a member	
Anne Binder(2) Independent Director	3/3	100%	3/3	100%	1/1	100%	2/2	100%	3/3	100%	Not a member	
Karine Calvet(4) Independent Director	5/5	100%	Not a member		5/5	100%	2/2	100%	Not a member		Not a member	
Jean Marie Canan Director	8/8	100%	7/7	100%	6/6	100%	Not a member		5/5	100%	Not a member	
Nathalie Rossiensky(3) Independent Director	8/8	100%	7/7	100%	6/6	100%	Not a member		5/5	100%	0/0(3)	100%
Pierre-Yves Roussel(4) Independent Director	5/5	100%	Not a member		5/5	100%	Not a member		Not a member		Not a member	
Hélène Viot Poirier Independent Director	8/8	100%	7/7	100%	6/6	100%	4/4	100%	Not a member		1/1	100%
Average attendance rate		**99%**		**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 6, 2023.
(2) From January 1, 2023 to April 28, 2023, as the directorships of Anne Binder and Bernard Jourdan expired at the close of the Shareholders' Meeting of April 28, 2023.
(3) The specialized committees were reorganized at the Board of Directors' meeting of April 28, 2023. The membership of Céline Abecassis-Moedas in the Audit Committee is indicated for the period in 2023 during which she was member of this Committee, that is, from January 1, 2023, to April 28, 2023. The attendance of Nathalie Rossiensky in the Nominations Committee is reported for the time she was a member of that Committee, that is., from April 28, 2023 to December 31, 2023; the Committee's only meeting in the year was in January 2023.
(4) For the period from April 28, 2023 to December 31, 2023, Karine Calvet and Pierre-Yves Roussel having been named Directors by the Combined Shareholders' Meeting of April 28, 2023.

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 and the Chairpersons of the specialized committees.

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 one of the committees, the Chairman of this committee 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.

At least three 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, as required, or are presented during the meeting itself.

As in previous years, in 2023 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 12.3 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 2023, a meeting was held on December 6. 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. Following this meeting a report was made to the Chairman and Chief Executive Officer.

Attendance of the Directors at Shareholders' Meetings

Article 21 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.

All Directors, current and future, were physically present at the Annual Shareholders' Meeting of April 28, 2023, with the exception of Ross McInnes and Jean Marie Canan.

Evaluation of the Board of Directors

Under article 11 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 11.3 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, a 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. In addition, a simplified evaluation is carried out each year, and at their meeting in the absence of the Chairman and Chief Executive Officer, the Non-Executive Directors analyze the changes observed since 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 a matrix with 32 evaluation criteria; the findings were discussed during the meeting of the Non-Executive Directors on December 8, 2021 and at the Board of Directors' meeting on February 23, 2022. The report on this three-year assessment is included in chapter 1.4.3 of the Report on Corporate Governance for 2021.

In 2023, a simplified annual evaluation was carried out at the Non-Executive Directors' meeting on December 6, 2023. The conclusions of the Non-Executive Directors were then presented by the Lead Director to the Chairman and Chief Executive Officer verbally during a meeting held on January 4, 2024, then to the full meeting of the Board of Directors on February 28, 2024.

As in previous years, the functioning of the Board of Directors and its specialized committees was deemed highly satisfactory. The involvement, regular attendance and effective contribution of each Director were judged to be excellent. In a year when the Company examined potential major acquisitions, further progress was noted with (i) the arrival of Karine Calvet and Pierre-Yves Roussel, whose contribution was particularly appreciated, and (ii) the reorganization of specialized committees following the Annual Shareholders' Meeting of April 28, 2023, which has led to improved quality and effectiveness in discussions.

The Non-Executive Directors appreciated the frequency of the meetings of the Board of Directors and all the committees, as well as the length and efficiency of the committees and the allocation of their respective agendas, which allow for more detailed discussions by allowing the necessary time to address key issues.

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.

They noted the quality, relevance and comprehensiveness of the information that was sent to them with enough time for them to proceed with the necessary analyses.

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, such as additional periodic reviews on specific topics, more-frequent interaction between Directors and members of the Executive Committee, and an ergonomic platform for document sharing and storage for the Board of Directors and specialized committees.

Regular follow-up is carried out throughout the year to ensure that the Company adheres to best practices in corporate governance.

1.4.4. Committees of the Board of Directors

The Board of Directors has created five specialized committees: the Audit Committee, the Strategic Committee, the CSR Committee, the Compensation Committee and the Nominations 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 April 28, 2023)*	**Current membership** *(from April 28, 2023)*
Nathalie Rossiensky (Chairman) Independent Director	**Nathalie Rossiensky** (Chairman) Independent Director
Bernard Jourdan Lead Independent Director	**Ross McInnes** Lead Independent Director
Céline Abecassis-Moedas Independent Director	**Jean Marie Canan** Director
Anne Binder Independent Director	**Hélène Viot Poirier**[(1)] Independent Director
Jean Marie Canan Director	
Ross McInnes Independent Director	
Hélène Viot Poirier Independent Director	

(1) Hélène Viot Poirier is member of the Audit Committee and Chairman of the CSR Committee, which facilitates the coordination of CSR-related work between the Audit Committee and the CSR Committee, and ensures that CSR issues are addressed in financial reporting.

The Audit Committee is chaired by an Independent Director and does not include the Chairman and Chief Executive Officer. Three members of the Audit Committee are Independent Directors and one member is a Non-Independent Director.

In accordance with the recommendations of article 17.1 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 14.2 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.

Mission

As prescribed by law and as recommended by article 17.2 of the AFEP-MEDEF Code, the mission of the Audit Committee is to:

- review the assumptions used in closing the consolidated and statutory, annual, half-year and quarterly 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 annual, half-year and quarterly 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;
- monitor, in consultation with the CSR Committee[1], the preparation and verification of non-financial information and the identification and management of social, societal and environmental risks. In particular, it ascertains the existence of appropriate systems and procedures, and compliance with legal and regulatory provisions, and examines the information communicated annually in the Non-financial Statement accompanying the Management Discussion; and
- make recommendations and express its opinions to the Board of Directors.

More generally, the Audit Committee may consider all questions brought to its attention and pertaining to the areas mentioned above. As part of the risk management process, it analyses cybersecurity risks and reviews the IT and data security plan.

The Audit Committee Chairman reports on the Committee's proceedings and recommendations to the Board of Directors at its meetings called to review the annual, half-year and quarterly 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 annual, half-year and quarterly financial statements. Since 2022, the four recurring meetings to review the accounts have been supplemented by an annual meeting on cybersecurity.

The Statutory Auditors, the Chairman and Chief Executive Officer, the Executive Vice President 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 17.3, 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 the day before 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 seven meetings in 2023, with an effective attendance rate of 100%.

Work performed in 2023

The Audit Committee addressed, inter alia, the following matters in 2023:

- the parent company and consolidated financial statements for fiscal year 2022, and the notes thereto;
- the reports to the Ordinary Shareholders' Meeting of April 28, 2023;
- review of the overall audits performed by the Statutory Auditors;
- the agreements entered into in the ordinary course of business and related-party agreements, entered into or during the fiscal year ended December 31, 2022;
- the half-year and quarterly consolidated financial statements and management reports for 2023;
- the press releases;
- the goodwill impairment tests at December 31, 2022 and changes between 2021 and 2022;

(1) Hélène Viot Poirier is member of the Audit Committee and Chairman of the CSR Committee, which facilitates the coordination of CSR-related work between the Audit Committee and the CSR Committee, and ensures that CSR issues are addressed in financial reporting.

- the deferred tax assets at December 31, 2022 and changes between 2021 and 2022;
- the Group budget, the revenue and financial results scenarios for fiscal year 2023;
- the integration of TextileGenesis in the Group's financial statements;
- the financial aspects of the take-over of the business and assets of the production unit for certain Gerber brand products from subcontractor VDL Enabling Technologies Group of Suzhou Ltd;
- the financial aspects of the acquisition of the company Launchmetrics;
- the services provided by the Statutory Auditors, other than certification of the financial statements;
- the Statutory Auditors' fees;
- update of the risk mapping including mapping of the risks of corruption and influence peddling;
- update of the information system and data security plan and examination of the actions put in place; and
- ongoing tax audits.

In 2023, 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.

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.

Strategic Committee

Membership

Former membership *(before April 28, 2023)*	**Current membership** *(from April 28, 2023)*
Daniel Harari (Chairman) Chairman and Chief Executive Officer	**Daniel Harari** (Chairman) Chairman and Chief Executive Officer
Bernard Jourdan Lead Independent Director	**Ross McInnes** Lead Independent Director
Céline Abecassis-Moedas Independent Director	**Céline Abecassis-Moedas** Independent Director
Anne Binder Independent Director	**Karine Calvet** Independent Director
Jean Marie Canan Director	**Jean Marie Canan** Director
Ross McInnes Independent Director	**Nathalie Rossiensky** Independent Director
Nathalie Rossiensky Independent Director	**Pierre-Yves Roussel** Independent Director
Hélène Viot Poirier Independent Director	**Hélène Viot Poirier** Independent Director

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 mission of the Strategic Committee is to:

- review and discuss, inter alia, the major strategic directions and development themes proposed by the Chairman and Chief Executive Officer, in order to prepare the Group for the worldwide economic challenges and key risks to which it is exposed, and reinforce its business model and its operating and financial ratios, as well as the consistency of the Group's strategic plan with the main orientations of the annual action plans;
- review internal and external growth drivers, and the optimization of its development in the medium term;
- review external growth operations, financial or stock market transactions having a significant immediate or future impact on the share capital and more generally on equity of the shareholders and monitor their implementation; and
- make recommendations and express its opinions 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 six times in 2023, with an effective attendance rate of 100%.

The Executive Vice President and the Strategy Director are permanent guests. Other members of the Executive Committee may be invited to participate in certain work and discussions of the Strategic Committee, depending on the subjects examined.

Work performed in 2023

The Strategic Committee addressed, inter alia, the following matters in 2023:

- assessment of the 2020-2022 strategic roadmap;
- the 2023-2025 strategic roadmap;
- the 2023-2025 business plan and related scenarios;
- the 2023 budget and related scenarios;
- the project to acquire the company Launchmetrics;
- development of Lectra's offers, and the offer strategy, mainly for the fashion market;
- the broad outlines of the research and development plan, marketing plan and human resources plan; and
- the impact on the Group's activities of developments in the macroeconomic and competitive environment.

CSR Committee

Membership

Former membership *(before April 28, 2023)*	**Current membership** *(from April 28, 2023)*
Anne Binder (Chairman) Independent Director	**Hélène Viot Poirier** (Chairman)(1) Independent Director
Céline Abecassis-Moedas Independent Director	**Céline Abecassis-Moedas** Independent Director
Hélène Viot Poirier Independent Director	**Karine Calvet** Independent Director

(1) Hélène Viot Poirier is a member of the Audit Committee and Chairman of the CSR Committee, which facilitates the coordination of CSR-related work between the Audit Committee and the CSR Committee, and ensures that CSR issues are addressed in financial reporting.

The CSR Committee is chaired by an Independent Director and currently comprises three Independent Directors.

Missions

The missions of the CSR Committee are to:

- examine the Group's strategic orientations in terms of corporate social, societal and environmental responsibility and ensure they are consistent with the Group's overall strategy and with stakeholders' expectations
- examine the associated action plans and monitor their implementation;
- examine social, societal and environmental challenges and risks;
- examine the Group's CSR communications;
- examine the draft versions of the Company's CSR reports, and in particular the Non-financial Statement, and ensure the preparation of all information required by the applicable regulations in this area, in consultation with the Audit Committee; and
- make recommendations and express its opinions to the Board of Directors.

Meetings

The CSR Committee organizes its work as it sees fit. It meets as often as the interests of the Company demand and at least twice a year. The CSR Committee reports on its work to the Board of Directors at least once a year and whenever it wishes to present its recommendations.

The CSR Committee met four times in 2023 with an effective attendance rate of 100%.

The Chairman and Chief Executive Officer and the Group's CSR Director were invited to attend all meetings, and some members of the Executive Committee were associated with some of the Committee's work that dealt with their respective areas.

Work performed in 2023

In 2023, the work of the CSR Committee focused on:

- analysis of the Non-financial Statement for 2022;
- establishment of a CSR action plan for 2023;
- determination of 2025 objectives and key indicators;
- development of a communication plan on CSR-related topics;
- analysis of the new CSRD rules and climate issues;
- review of the results of the "Your Voice" engagement survey of Group employees; and
- deployment of The Lectra Way and other HR initiatives in the 2023 CSR plan.

Compensation Committee

Membership

Former membership *(before April 28, 2023)*	**Current membership** *(from April 28, 2023)*
Bernard Jourdan (Chairman) Lead Independent Director	**Céline Abecassis-Moedas** (Chairman) Independent Director
Céline Abecassis-Moedas Independent Director	**Jean Marie Canan** Director
Jean Marie Canan Director	**Nathalie Rossiensky** Independent Director
Nathalie Rossiensky Independent Director	

The Compensation Committee is chaired by an Independent Director and does not include the Chairman and Chief Executive Officer. Two members of the Compensation Committee are Independent Directors and one member is a Non-Independent Director.

Article 19.1 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 19.2 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 €250,000 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.

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 five times in 2023 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 19.2 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 2023

The Compensation Committee addressed, inter alia, the following matters in 2023:

- the compensation of company officers;
- inclusion of CSR criteria in the variable compensation of the Chairman and Chief Executive Officer;
- the compensation of the members of the Executive Committee and the senior Group managers;
- the methods for calculating the criteria determining the 2023 variable compensation of the Chairman and Chief Executive Officer, the members of the Executive Committee, and the senior Group managers;
- the evolution of the Group's organization and the succession plan for members of the Executive Committee;
- the evolution of the Group's compensation and shareholding policy for 2024;
- the 2023 stock option plan; and
- the Company's policy for professional and pay equality.

Nominations Committee

Membership

Former membership *(before April 28, 2023)*	**Current membership** *(from April 28, 2023)*
Bernard Jourdan (Chairman) Lead Independent Director	**Ross McInnes** (Chairman) Lead Independent Director
Ross McInnes Independent Director	**Nathalie Rossiensky** Independent Director
Hélène Viot Poirier Independent Director	**Hélène Viot Poirier** Independent Director

The Nominations Committee is chaired by the Lead Director and is composed exclusively of Independent Directors, in accordance with article 18.1 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.

Missions

Under article 18.2 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 its 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 once in 2023 with an effective attendance rate of 100%.

Work performed in 2023

In 2023, the Nominations Committee dealt with the desired evolution of the composition of the Board of Directors and the selection of two new Directors, whose appointment was proposed and approved at the Annual Shareholders' Meeting of April 28, 2023. It also examined the independence of current and future Directors in the light of the criteria of the AFEP-MEDEF Code.

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. Between February 9, 207, and April 28, 2023, it was performed by Bernard Jourdan, an Independent Director. Since the retirement of Bernard Jourdan at the end of the Shareholders' Meeting of April 28, 2023, the functions of Lead Director have been entrusted to Ross McInnes, an Independent Director, who is also serving as Chairman of the Nominations Committee.

Under article 1.6 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.

The Lead Director may, if requested by shareholders, also be available to answer questions, in particular on corporate governance and strategy, in close coordination with the Chairman and Chief Executive Officer. He is assisted by the Secretary of the Board of Directors for the performance of administrative tasks arising from his/her role. The Lead Director reports to the Board of Directors on his/her duties at least once a year.

Lead Director's Activity Report in 2023

During fiscal year 2023, among other duties, the Lead Director:

- chaired meetings of the Nominations Committee and meetings of the Non-Executive Directors; and coordinated work relating to changes in the membership of the Board of Directors, assessment of the performance of the Chairman and Chief Executive Officer, and succession plans for the Chairman and Chief Executive Officer and certain members of the Executive Committee;
- led the annual evaluation of the functioning of the Board of Directors;
- attended all meetings of the Board of Directors, except on April 28, 2023, and contributed to discussions on governance topics on the meetings' agendas;
- oversaw the process to identify possible conflicts of interest within the Board of Directors, it being specified that no conflict of interest was identified in 2023; and
- facilitated dialog between the Non-Executive Directors and the Chairman and Chief Executive Officer and the management team.

1.4.6. Chairman and Chief Executive Officer's succession plan

Under article 18.2.2 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 an untimely departure or demise of the principal company officer, but also for a forseeable departure in the coming years, in particular due to age limitations. It is examined at least once a year by the Nominations Committee (formerly by the Compensation Committee, for 2021 and prior years).

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, as soon as 2020, the Nominations Committee began to work on a succession plan for the members of the Board of Directors, particularly those whose terms were expiring at the Annual Shareholders' Meeting of 2023, and for the members of the Executive Committee expected to retire in the period from 2023 to 2025. This work was continued in 2021, 2022 and in 2023 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 2024 and subsequent years, (ii) the components of compensation paid or granted to them during the fiscal year ended December 31, 2023, 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 27.1 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 executive 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 28, 2024 in respect of fiscal year 2024 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 28, 2023.

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", of this Report.

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 26.3.2 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 six criteria used to determine the variable compensation of the Chairman and Chief Executive Officer correspond to:

- the Group's three main performance criteria for the period covered by the 2023-2025 strategic roadmap and
- three CSR criteria.

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 Group 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, except for the CSR criteria, added in 2023, 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)
  End date of term of office as Director: Shareholders' Meeting of 2024(3)
- Chairman of the Board of Directors (Board of Directors meeting of April 30, 2020)(2)(3)

Contract of employment	NO
Supplementary pension scheme	NO
Indemnifications or benefits due or likely to 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.
(3) A proposal will be made at the Annual Shareholders' Meeting of April 26, 2024, to reelect Daniel Harari as a Director. Subject to a favorable vote by the Shareholders' Meeting, the Board of Directors at their meeting on April 26, 2024, will reappoint Daniel Harari as Chairman and Chief Executive Officer.

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, 2024

In accordance with the above-mentioned principals and subject to approval by the Shareholders' Meeting of April 26, 2024, the Board of Directors, at its meeting on February 28, 2024, on a recommendation by the Compensation Committee, decided to:

- maintain the total annual target-based compensation of the Chairman and Chief Executive Officer at €840,000 for fiscal year 2024;
- maintain the fixed to variable compensation ratio for fiscal year 2024: the fixed and the variable parts of the compensation of the Chairman and Chief Executive Officer would each account for 50% of his total annual target-based compensation.

Fixed compensation
In accordance with the decision of the Board of Directors at its meeting on February 28, 2024, and subject to approval by the Shareholders' Meeting of April 26, 2024, the fixed compensation of the Chairman and Chief Executive Officer for fiscal year 2024 would remain at €420,000.

Variable compensation
In accordance with the decision of the Board of Directors at its meeting on February 28, 2024, and subject to approval by the Shareholders' Meeting of April 26, 2024, the target-based variable compensation of the Chairman and Chief Executive Officer for fiscal year 2024 would remain at €420,000.

In accordance with the abovementioned principles and on a recommendation by the Compensation Committee, at its meeting on February 28, 2024, the Board of Directors decided to maintain for 2024, 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, as set by the Board of Directors, at its meeting on February 23, 2023, for the 2023-2025 period, in light of the 2023-2025 strategic roadmap's objectives (the "**Strategic Scorecard**"):

I. a criterion measuring the contributive value of growth in sales activity (accounting for 40%);
II. EBITDA before non-recurring items (accounting for 30%);
III. protection and growth of recurring contracts (accounting for 30%).

In addition, on February 28, 2024, the Board of Directors also revised for 2024 the CSR performance criteria that reflect the Group's CSR objectives, as described in the Non-financial Statement, in order to take into account the action plan to reduce Lectra's environmental footprint that will be implemented starting from 2024 (the "**CSR Scorecard**"):

I. improvement of non-financial ratings by independent rating agencies (accounting for 40%);
II. improvement of the employee engagement rate (accounting for 30%); and
III. progress in implementing the multi-year action plan to reduce Lectra's environmental footprint (accounting for 30%).

The achievement target for each of the above criteria is specified in advance but is not made public for reasons of confidentiality. For each of these 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.

The result of the CSR Scorecard is then used as a bonus or penalty factor to adjust the results of the Strategic Scorecard criteria. Accordingly, if the result for the CSR criteria is zero, the result for the Strategic Scorecard is multiplied by 75%; if the result for the CSR criteria is 200%, the result for the Strategic Scorecard is multiplied by 125% (but cannot exceed 200%).

The annual achievement targets for the Strategic Scorecard 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.

The same 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 20% to 30% 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 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. Under no circumstances may the amount of the target-based variable compensation or the maximum variable compensation be modified.

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 Daniel Harari, Chairman and Chief Executive Officer, in respect of fiscal year 2024

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 2024, 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 €480,000 by the Shareholders' Meeting of April 29, 2022, until a new decision is made.

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 method, applied since fiscal year 2022, ensures a fair distribution that is consistent with best practices and takes into consideration the effective participation in the meetings of the Board of Directors and the specialized committees and each Director's responsibilities. It takes into account the 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 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 2024 at the date of this Report:

	Fixed component	Variable component (per meeting)	Maximum amount
Board of Directors			***Maximum amount for the Board of Directors*** (1)
Chairman	€25,000	€2,000	€39,000
Lead Director	€20,000	€2,000	€34,000
Member	€15,000	€2,000	€29,000
Specialized committees			***Total maximum par Comité spécialisé*** (2)
Audit Committee			
Chairperson	€5,000	€1,500	€14,000
Member	N/A	€1,500	€9,000
Strategic Committee			
Chairperson	€3,000	€1,500	€9,000
Member	N/A	€1,500	€6,000
CSR Committee			
Chairperson	€3,000	€1,500	€7,500
Member	N/A	€1,500	€4,500
Compensation Committee			
Chairperson	€3,000	€1,500	€9,000
Member	N/A	€1,500	€6,000
Nominations Committee			
Chairperson	€3,000	€1,500	€4,500
Member	N/A	€1,500	€1,500
Maximum annual amount			**€480,000**
Cap on individual annual compensation			**€65,000**

(1) For example, based on 100% attendance and 7 meetings scheduled in the year.
(2) For example, based on 100% attendance and 18 meetings scheduled in the year (6 meetings of the Audit Committee, 4 meetings of the Strategic Committee, 3 meetings of the CSR Committee, 4 meetings of the Compensation Committee and 1 meeting of the Nominations 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 chapter 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 committees.

Draft resolution submitted to the Shareholders' Meeting
"Eleventh resolution: approval of the policy governing the compensation of the Directors in respect of fiscal year 2024

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 2024, 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 2023

The components of compensation paid or granted to the company officers in respect of the fiscal year ended December 31, 2023, 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, 2023, 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, 2023.

The amount of the fixed compensation paid and the amount of the variable compensation granted in respect of fiscal year 2023 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, 2023.

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 2023

The elements of compensation and benefits paid or granted to Daniel Harari, Chairman and Chief Executive Officer, in respect of fiscal year 2023, and set out below, are consistent with the compensation policy, as determined by the Board of Directors during its meeting on February 23, 2023 and approved with a 99.53% vote at the Shareholders' Meeting of April 28, 2023.

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 2023, submitted for approval by the Annual Shareholders' Meeting on April 26, 2024

Components of compensation	***Amount***	***Comments***
Annual fixed compensation	€420,000 *(amount paid)*	On a recommendation by the Compensation Committee, the Board of Directors, at its meeting on February 23, 2023, decided to increase, for the first time since 2017, the gross fixed annual compensation of Daniel Harari, in his capacity as Chairman and Chief Executive Officer, to €420,000, for the fiscal year 2023. Daniel Harari therefore received gross compensation of €420,000 in respect of the period from January 1, 2023 to December 31, 2023. This compensation was paid on a monthly basis.
Variable annual compensation	€119,448 *(subject to approval by the Shareholders' Meeting of April 26, 2024)*	On a recommendation by the Compensation Committee, the Board of Directors, at its meeting on February 23, 2023, decided to increase, for the first time since 2017, to €420,000 – subject to achieving objectives – the gross variable annual compensation of Daniel Harari, in his capacity as Chairman and Chief Executive Officer, for the fiscal year 2023. Regarding fiscal year 2023, the Board of Directors, on a proposition from the Compensation Committee, decided, at its meeting on February 23, 2023, to set six performance criteria, three criteria for the Strategic Scorecard and three criteria for the CSR Scorecard, which are detailed below. The criteria for the Strategic Scorecard and weightings were set taking into account the 2023-2025 strategic roadmap and reflect the Company's strategy of profitable sales activity and earnings growth. They are calculated excluding the variations in exchange rates. (i) contributive value of growth in sales activity (40%); (ii) EBITDA before non-recurring items (30%); and (iii) protection and growth of recurring contracts (30%).

		The CSR Scorecard criteria and weightings reflect the Group's CSR objectives, which are described in the Non-financial Statement: (i) progress in raising non-financial ratings by independent rating agencies (50%); (ii) progress in the plan to raise the eco-responsible content of offers (25%); (iii) progress in raising the employee engagement rate (25%). For each of the six 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. The result of the CSR Scorecard is then used as a bonus or penalty factor to adjust the results of the Strategic Scorecard criteria. Accordingly, if the result for the CSR criteria is zero, the result for the Strategic Scorecard is multiplied by 75%; if the result for the CSR criteria is 200%, the result for the Strategic Scorecard is multiplied by 125% (but cannot exceed 200%). 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 14, 2024, the Board of Directors, on a proposal by the Compensation Committee, determined the degree to which the above performance criteria had been achieved for 2023: ■ Strategic Scorecard criteria: (i) 17.10% for the contributive value of growth in sales activity; (ii) 16.72% for EBITDA before non-recurring items; (iii) 53.64% for protection and growth of recurring contracts. ■ CSR Scorecard criteria: (i) 101.67% for progress in raising non-financial ratings by independent rating agencies; (ii) 100.00% for progress in the plan to raise the eco-responsible content of offers; (iii) 125.00% for progress in raising the employee engagement rate. In total, the percentage obtained for the variable portion of Daniel Harari's compensation represented 28.44% of the total amount set for achieving the annual performance objectives (76% in 2022), and his variable compensation in respect of fiscal year 2023 was therefore €119,448 (€295,541 in 2022).
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	€53,000	In keeping with the rules for allocation of Directors' compensation, as determined at its meeting on February 23, 2022, the Board of Directors, at its meeting on February 14, 2024, decided to allocate to Daniel Harari the amount of €53,000 in his capacity as Director in respect of fiscal year ended December 31, 2023.
Value of benefits in kind	€10,611	The only benefit in kind corresponds to the tax value of the use of the company car, which amounted to €10,611 for fiscal year ended December 31, 2023.
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	Calculation of the variable compensation percentage achievement: Minimum 0 %	Objective 100 %	Maximum 200 %	Percentage achieved	Amount
Strategic Scorecard						
Contributive value of growth in sales activity	40%	70% of the objective	Objective	115% of the objective	**17.10%**	
EBITDA before non-recurring items	30%	Objective minus 25 million euros	Objective	Objective plus 12.5 million euros	**16.72%**	
Growth in recurring contracts	30%	Objective minus 4.4 million euros	Objective	Objective plus 3.3 million euros	**53.64%**	
Sub-total Strategic Scorecard	100%				**27.95%**	
CSR Scorecard						
Progress in raising non-financial ratings by independent rating agencies, including	50%				**101.67%**	
■ Ecovadis		Objective minus 10 points	Objective	Objective plus 5 points		
■ EthiFinance ESG Ratings		Objective minus 12 points	Objective	Objective plus 6 points		
Progress in the plan to raise the eco-responsible content of offers	25%	Implementation of eco-design processes on all new equipment subject to an R&D plan			**100.00%**	
Progress in raising the employee engagement rate	25%	Objective minus 8 points	Objective	Objective plus 4 points	**125.00%**	
Sub-total CSR Scorecard					**107.08%**	
Bonus or penalty factor on the RSE Scorecard	100%				**101.77%**	
Percentage achievement and amount of variable compensation	100%				**28.44%**	**€119,448**

Synthesis of the Chairman and Chief Executive Officer's compensation in respect of 2023

Following the recommendations in article 27 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, 2023:

Table summarizing the fixed and variable annual compensation of the Chairman and Chief Executive Officer

Daniel Harari Chairman and Chief Executive Officer *(in euros)*	2023 Compensation assuming fulfillment of annual targets	2023 Actual compensation earned in respect of the fiscal year	2023 % Actual compensation/ Compensation assuming fulfillment of annual targets	2022 Compensation assuming fulfillment of annual targets	2022 Actual compensation earned in respect of the fiscal year	2022 % Actual compensation/ Compensation assuming fulfillment of annual targets
Fixed compensation	420,000	420,000	100%	390,000	390,000	100%
Variable compensation	420,000	119,448	28%	390,000	295,541	76%
Total	**840,000**	**539,448**	**64%**	780,000	685,541	88%

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, 2023 and amounts actually paid in the year:

Table summarizing the compensation of the Chairman and Chief Executive Officer

(in euros)	2023 Amounts earned in respect of the fiscal year	2023 Amounts paid in the year	2022 Amounts earned in respect of the fiscal year	2022 Amounts paid in the year
Daniel Harari Chairman and Chief Executive Officer				
Fixed compensation	420,000	420,000	390,000	390,000
Variable compensation(1)	119,448	295,541	295,541	762,311
Extraordinary compensation	N/A	N/A	N/A	N/A
Compensation in his capacity as Director	53,000	53,500	53,500	40,000
Benefits in kind(2)	10,611	10,611	8,331	8,331
Total	**603,059**	**779,652**	747,372	1,200,642

(1) The variable compensation in respect of fiscal year 2022 was paid in 2023; the variable compensation in respect of fiscal year 2023 will be paid in 2024, subject to approval by the Ordinary Shareholders' Meeting of April 26, 2024. The difference between the percentage of variable compensation granted in respect of fiscal year 2022 (88%), which was paid in 2023, and the percentage in respect of fiscal year 2023 (64%) explains the difference between the amounts of variable compensation due in respect of fiscal year 2023 and paid in 2023.

(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, 2023 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, 2023 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, 2023

The compensation of the Directors in respect of the fiscal year ended December 31, 2023, is consistent with the compensation policy, which was set by the Board of Directors at its meeting on February 23, 2022, then confirmed on February 23, 2023, and approved by a 99.50% vote at the Shareholders' Meeting of April 28, 2023.

In accordance with the decision of the Annual Shareholders' Meeting of April 29, 2022, the maximum amount of compensation is set at €480,000 starting in fiscal year 2022 and until a new decision is made.

In respect of the fiscal year ended December 31, 2023, the total gross amount of €459,500 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 26, 2024.

The rules for apportionment, which have been applied to determine each Director's compensation for fiscal year 2023 are set out in chapter 2.1.2 of this Report.

It is specified that:
- the Directors, other than the Chairman and Chief Executive Officer, have received 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 chapter 2.2.1. of this Report.
- the Company did 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

	Compensation in respect of 2023[1] *(in euros)*			Compensation in respect of 2022[1] *(in euros)*		
Directors	Fixed portion	Variable portion	**Total amount**	Fixed portion	Variable portion	**Total amount**
Daniel Harari Chairman and Chief Executive Officer[2]	28,000	25,000	**53,000**	28,000	25,500	53,500
Ross McInnes Lead Independent Director[3]	20,436	35,000	**55,436**	10,151	23,500	33,651
Céline Abecassis-Moedas Independent Director	17,038	43,000	**60,038**	15,000	46,500	61,500
Anne Binder Independent Director[4]	5,770	19,500	**25,270**	18,000	45,000	63,000
Karine Calvet Independent Director[5]	10,192	20,500	**30,692**	N/A	N/A	N/A
Jean Marie Canan Director	15,000	43,000	**58,000**	15,000	40,500	55,500
Bernard Jourdan Independent Director[4]	8,334	18,000	**26,334**	27,616	46,500	65,000[6]
Nathalie Rossiensky Independent Director	20,000	43,000	**63,000**	18,384	42,000	60,384
Pierre-Yves Roussel Independent Director[5]	10,192	17,500	**27,692**	N/A	N/A	N/A
Hélène Viot Poirier Independent Director[3]	17,038	43,000	**60,038**	10,151	28,000	38,151
Total	**152,000**	**307,500**	**459,500**	142,301	297,500	430,685

(1) Gross amounts
(2) This is the compensation allocated to Daniel Harari in his capacity as 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) The compensation in respect of fiscal year 2022 corresponds to the period from April 29 to December 31, 2022, Ross McInnes and Hélène Viot Poirier having been named Directors by the Combined Shareholders' Meeting of April 29, 2022.
(4) The compensation in respect of fiscal year 2023 corresponds to the period from January 1, 2023 to April 28, 2023, as the directorships of Anne Binder and Bernard Jourdan expired at the close of the Shareholders' Meeting of April 28, 2023.
(5) The compensation in respect of fiscal year 2023 corresponds to the period from April 28, 2023 to December 31, 2023, as Karine Calvet and Pierre-Yves Roussel were elected as Directors by the Ordinary Shareholders' Meeting of April 28, 2023.
(6) Because the theoretical compensation of Bernard Jourdan exceeded the 65,000-euro cap provided in the compensation policy, the amount of compensation effectively granted in respect of 2022 was adjusted downward to 65,000 euros.

2.3 Yearly evolution of the Chairman and Chief Executive Officer's compensation 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.

As a reminder, 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.

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 the company Lectra, the parent company of the Lectra group, which includes 95.08% of the workforce in France;
- the compensation used for calculating the ratios corresponds to total compensation paid to the Chairman and Chief Executive Officer 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 continuously present in the Company's workforce between January 1 N-1 and December 31 of the relevant year, whether on permanent contracts, fixed-term contracts and work-study contracts, but not expatriates and interns;
- the compensation of the Chairman and Chief Executive Officer and employees of the Company comprises the aggregate annual gross amounts, subject to social security contributions, which include:
  - fixed compensation;
  - 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;
  - sums paid into the PERCO from time savings accounts;
  - 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 and negotiated termination.

Yearly evolution of compensation of the Chairman and Chief Executive Officer, Company performance, average and median compensation of employees, and pay equity ratios

	2023	2022	2021	2020	2019
Evolution of the compensation paid to the Chairman and Chief Executive Officer *(in % and in euros)*					
	-35.1% (€779,652)	144% (€1,200,643)	-28.4% (€490,964)	-5.6% (€685,644)	-21.8% (€726,582)
Information on the listed parent Company scope					
Evolution of the average compensation of employees, full-time equivalent *(in % and in euros)*	4.2% (€63,000)	8.8% (€60,486)	4.7% (€55,610)	0.9% (€53,122)	-1.9% (€52,631)
Average ratio and its evolution	12 (-37.7%)	20 (124.8%)	9 (-31.6%)	13 (-6.5%)	14 (-20.3%)
Evolution of the median compensation of employees, full-time equivalent *(in % and in euros)*	2.8% (€49,103)	5.8% (€47,749)	1.1% (€45,146)	4.7% (€44,634)	-0.3% (€42,642)
Median ratio and its evolution	16 (-36.9%)	25 (131.2%)	11 (-29.2%)	15 (- 9.8%)	17 (-21.6%)
Additional information on the broader scope					
N/A					
Group performance					
Performance coefficient[(1)] for fiscal year N-1 used to determine the variable portion of company officers' compensation	76%	195%	13%	62%	72%

(1) The performance coefficient measures the percentage achievement of performance criteria that determines the annual variable compensation of the Chairman and Chief Executive Officer. The criteria are established and reviewed by the Board of Directors in light of the strategic roadmap. These criteria reflect the strategy of profitable sales activity and the annual percentage achievement measures Lectra's results for that year. Comparing percentage achievement in different years would not be relevant, in that the indicator relates only to performance in each specific year. 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 criteria 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, 2023

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 2023, 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, as modified April 29, 2021, 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 as soon as possible by electronic means to the AMF 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 Company's General Counsel is the referent person 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 annual, half-year and quarterly financial statements of the Group and the publication of results. 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 all those people concerned 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;
- 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 April 29, 2021, 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/corporate-governance/bylaws-and-rules).

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, 2023.

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 14, 2024 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 2023. 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 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 2023, and utilizations thereof at December 31, 2023, 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**
Still valid				
Authority to grant stock options*	Shareholders' Meeting of April 29, 2022 *(resolution no. 13)*	38 months *(June 28, 2025)*	Maximum number of options: 1,200,000 Authorized amount of capital increase: €1,200,000	Number utilized at 31/12/2023**: **415,117** Options remaining at 31/12/2023: **784,883**

* The Shareholders' Meeting of April 29, 2022, authorized the issuance of up to 1,200,000 shares with a par value of €1. The maximum amount and the amounts utilized are indicated in par value of shares.
** For details on granting of stock options, see chapter 8.5 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/shareholder-information/shareholders-meetings) 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 192,999 shares (representing 0.51% 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, 2023.

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 8 "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/corporate-governance/bylaws-and-rules);
- 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 9 "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 note 21 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 28, 2024

04 CONSOLIDATED FINANCIAL STATEMENTS

SUMMARY

1. Statement of financial position consolidated

ASSETS

At December 31 (in thousands of euros)		2023	2022
Goodwill	note 6	297,306	292,626
Other intangible assets	note 7	129,014	137,108
Leasing rights-of-use	note 8	26,322	28,083
Property, plant and equipment	note 9	25,800	27,900
Other non-current assets	note 10	18,150	18,443
Deferred tax assets	note 12	13,591	12,212
Total non-current assets		510,183	516,372
Inventories	note 13	70,686	75,479
Trade accounts receivable	note 14	91,859	88,185
Other current assets	note 15	21,441	24,227
Cash and cash equivalents	note 21	115,049	130,634
Total current assets		299,035	318,525
Total assets		**809,218**	**834,897**

EQUITY AND LIABILITIES

(in thousands of euros)		2023	2022
Share capital	note 16	37,833	37,789
Share premium	note 16	140,777	140,134
Treasury shares	note 16	(885)	(1,037)
Currency translation adjustments	note 17	16,977	30,346
Retained earnings and net income		215,124	242,269
Non-controlling interests	note 2	8,033	2,719
Total equity		417,860	452,220
Retirement benefit obligations	note 18	10,593	9,580
Non-current lease liabilities	note 19	22,074	25,321
Minority shares purchase commitments	note 20	49,536	10,450
Deferred tax liabilities	note 12	2,733	1,278
Borrowings, non-current portion	note 21	76,684	97,492
Total non-current liabilities		161,620	144,121
Trade and other current payables	note 22	88,493	99,786
Deferred revenues	note 23	94,103	88,755
Current income tax liabilities	note 12	5,504	5,674
Current lease liabilities	note 19	9,144	9,048
Minority shares purchase commitments	note 20	1,702	-
Borrowings, current portion	note 21	21,405	21,784
Provisions for other liabilities and charges	note 24	9,386	13,509
Total current liabilities		229,738	238,556
Total equity and liabilities		**809,218**	**834,897**

The notes are an integral part of the consolidated financial statements.

2. Income statement consolidated

Twelve months ended December 31 (in thousands of euros)		2023	2022
Revenues	note 27	477,579	521,934
Cost of goods sold	note 28	(144,402)	(174,251)
Gross profit	note 28	333,177	347,684
Research and development	note 29	(51,301)	(45,810)
Selling, general and administrative expenses	note 30	(232,824)	(233,389)
Income from operations before non-recurring items		49,052	68,485
Non-recurring income	note 33	5,174	-
Non-recurring expenses	note 33	(5,777)	(4,024)
Income from operations		48,450	64,461
Financial income	note 34	3,098	958
Financial expenses	note 34	(5,936)	(4,611)
Foreign exchange income (loss)	note 35	(1,644)	(1,843)
Income before tax		43,968	58,965
Income tax	note 12	(11,354)	(15,137)
Net income		**32,615**	**43,828**
of which, Group share		**33,904**	**44,386**
of which, Non-controlling interests		(1,289)	(558)

(in euros)			
Earnings per share, Group share:	note 36		
- basic		0.90	1.18
- diluted		0.89	1.16
Shares used in calculating earnings per share:			
- basic		37,794,184	37,748,750
- diluted		38,134,888	38,200,810

(in thousands of euros)		
Income from operations before non-recurring items	49,052	68,485
+ Net depreciation and amortization of non-current assets	29,966	29,882
EBITDA before non-recurring items	79,018	98,367

STATEMENT OF COMPREHENSIVE INCOME(1)

Twelve months ended December 31 (in thousands of euros)		2023	2022
Net income, Group share		33,904	44,386
Currency translation adjustments	note 17	(13,257)	18,137
Tax effect	note 12	(112)	78
Other comprehensive income to be reclassified in net income		(13,369)	18,215
Remeasurement of the net liability arising from defined benefits pension plans	note 18	(1,006)	1,826
Tax effect	note 12	241	(455)
Other comprehensive income not to be reclassified in net income		(765)	1,371
Total other comprehensive income		(14,134)	19,586
Comprehensive income, Group share		**19,770**	**63,971**

(1) The Group considered as non-material the information regarding the comprehensive income of the non-controlling interests (of Retviews, Neteven, Gemini CAD Systems, Glengo Lectra Teknoloji and TextileGenesis – 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 of euros)		2023	2022
I - OPERATING ACTIVITIES			
Net income		32,615	43,828
Net depreciation and amortization (non-current assets)		29,966	29,882
Net depreciation and provisions (current assets)		(1,107)	4,345
Non-cash operating expenses	note 39	(761)	2,841
Loss (profit) on sale of fixed assets		96	9
Changes in deferred income taxes	note 12	(1,349)	(2,194)
Changes in inventories		5,631	(15,251)
Changes in trade accounts receivable		1,949	4,681
Changes in other current assets and liabilities		(8,149)	(10,354)
Changes in other operating non-current assets	note 40	681	-
Net cash provided by (used in) operating activities		59,572	57,787
II - INVESTING ACTIVITIES			
Purchases of intangible assets	note 7	(3,846)	(3,161)
Purchases of property, plant and equipment	note 9	(3,239)	(4,527)
Proceeds from sales of intangible and tangible assets		18	1
Acquisition cost of companies purchased	note 2	(17,677)	(5,023)
Purchases of financial assets	note 10	(10,994)	(11,828)
Proceeds from sales of financial assets	note 10	11,493	12,200
Net cash provided by (used in) investing activities		(24,245)	(12,338)
III - FINANCING ACTIVITIES			
Proceeds from issuance of ordinary shares by the parent company	note 16	687	669
Proceeds from issuance of ordinary shares to non controlling interests	note 2	-	490
Dividend paid	note 4	(18,126)	(13,588)
Change in share of interests in controlled entities	note 2	(482)	(1,714)
Purchases of treasury shares	note 16	(10,588)	(12,064)
Sales of treasury shares	note 16	10,558	11,329
Repayment of lease liabilities	note 19	(10,579)	(10,157)
Repayments of long-term and short-term borrowings	note 41	(21,000)	(21,000)
Net cash provided by (used in) financing activities		(49,530)	(46,035)
Increase (decrease) in cash and cash equivalents		**(14,203)**	**(586)**
Cash and cash equivalents at opening	note 21	130,634	130,586
Increase (decrease) in cash and cash equivalents		(14,203)	(586)
Effect of changes in foreign exchange rates		(1,382)	634
Cash and cash equivalents at closing	note 21	115,049	130,634
Net cash provided by (used in) operating activities		59,572	57,787
+ Net cash provided by (used in) investing activities		(24,245)	(12,338)
- Acquisition cost of companies purchased		17,677	5,023
- Repayment of lease liabilities		(10,579)	(10,157)
Free cash flow		42,425	40,315
Non-recurring items of the free cash flow		(2,920)	(3,405)
Free cash flow before non-recurring items	note 42	45,345	43,720
Income tax (paid) / reimbursed, net		(9,051)	(6,520)
Interest (paid) on lease liabilities		(539)	(530)
Interest (paid)	note 41	(4,504)	(794)

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 share	Par value per share	Share capital							
Balance at December 31, 2021		37,742,959	1.00	37,743	139,511	(271)	12,132	208,947	398,062	2,724	400,786
Net income								44,386	44,386	(558)	43,828
Other comprehensive income							18,215	1,371	19,586	11	19,597
Comprehensive income							18,215	45,757	63,972	(547)	63,425
Exercised stock options	*16*	45,990	1.00	46	623				669		669
Fair value of stock options	*2*							1,340	1,340		1,340
Sale (purchase) of treasury shares	*16*					(766)			(766)		(766)
Profit (loss) on treasury shares	*16*							18	18		18
Minority shares purchase for Retviews(1)	*16*							837	837	(87)	750
Revaluation of non controlling interests in Gemini	*20*								0	47	47
Glengo operation and minority shares purchase commitment(2)	*20*							(1,941)	(1,941)	92	(1,850)
Shares issued to non controlling interests(2)									0	490	490
Discounting and revision of minority shares purchase commitments	*20*							900	900		900
Dividend paid	*4*							(13,588)	(13,588)		(13,588)
Balance at December 31, 2022		37,788,949	1.00	37,789	140,134	(1,037)	30,346	242,269	449,501	2,719	452,220
Net income								33,904	33,904	(1,289)	32,615
Other comprehensive income							(13,369)	(765)	(14,134)	(52)	(14,186)
Comprehensive income							(13,369)	33,139	19,770	(1,341)	18,429
Exercised stock options	*16*	44,016	1.00	44	643				687		687
Fair value of stock options	*16*							1,499	1,499		1,499
Sale (purchase) of treasury shares	*16*					152			152		152
Profit (loss) on treasury shares	*16*							(137)	(137)		(137)
Internal transfer of intellectual property with non-controlling interests								(2,380)	(2,380)	2,380	-
Revaluation of non-controlling interests in Gemini	*2*							-	-		
Glengo operation and minority shares purchase commitment	*20*							-	-		
Minority shares purchase for Neteven	*20*							482	482	(131)	351
Integration of TextileGenesis and minority shares purchase commitment(3)	*20*							(45,416)	(45,416)	4,406	(41,010)
Discounting and revision of minority shares purchase commitments	*20*							3,795	3,795		3,795
Dividend paid	*4*							(18,126)	(18,126)		(18,126)
Balance at December 31, 2023		**37,832,965**	**1.00**	**37,833**	**140,777**	**(885)**	**16,977**	**215,124**	**409,827**	**8,033**	**417,860**

(1) These amounts stem from the staggered purchases of additional shares of Retviews in July 2022.
(2) These amounts stem from the business combination between Lectra Turkey and Glengo Teknoloji on June 1, 2022 (see note 2.30 hereafter).
(3) These amounts stem from the takeover of TextileGenesis on January 9, 2023. Note 2.30 hereafter details the impacts of this operation on Group 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**" or "**Lectra**", refers to Lectra SA, hereafter "**the Company**", and its subsidiaries. The Group's consolidated financial statements were drawn up by the Board of Directors on February 28, 2024 and will be proposed to the Shareholders' Meeting for approval on April 26, 2024.

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, and is part of the following indexes: SBF 120, Euronext Tech Leaders, CAC Mid 60, CAC All-Tradable and CAC Mid & Small.

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 TextileGenesis in January 2023, the merger of two Gerber holdings in the USA and the creation of a Chinese entity (Lectra Suzhou) in December 2023, in addition to the parent company, the Group has an unrivalled network of 64 subsidiaries, from which Lectra generates more than 85% of its revenue.

Lectra welcomes customers from around the world in its Experience Centers in Bordeaux-Cestas (France), Atlanta and New York (USA) and Shanghai (China). The Group has twelve international Expertise Centers, based in Bordeaux-Cestas (France), Atlanta and Tolland (USA), Blumenau (Brazil), Hô Chi Minh (Vietnam), Istanbul (Turkey), Madrid (Spain), Milan (Italy), Osaka (Japan), Porto (Portugal), Seoul (South Korea) 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 Expertise Centers, enabling preventive and predictive maintenance.

The manufacturing of the automated cutting equipment developed by Gerber is partly done in the United States and partly subcontracted, essentially to a company in China whose business dedicated to the Group was taken over in December 2023 (see note 2.30 hereafter).

People

Lectra's strength lies in the skills and experience of nearly 2,550 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://finance.ec.europa.eu/capital-markets-union-and-financial-markets/company-reporting-and-auditing/company-reporting/financial-reporting_en

The consolidated financial statements at December 31, 2023 have been prepared in accordance with the same rules and methods as those applied in the preparation of the 2022 financial statements. They have been prepared under the responsibility of the Board of Directors that reviewed and approved them at its meeting of February 28, 2024 after a full audit by the Statutory Auditors.

The Group's financial statements are not impacted by the other standards, amendments or interpretations changes. The Group has not early adopted any other standards, amendments or interpretations whose application is not required for fiscal years starting from January 1, 2023.

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 lease for its Paris headquarter. 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 in 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 19).

Types of leases

The Group rents its offices in most of the countries where it operates, as well as its two industrial facilities of Tolland (United States) and Suzhou (China), 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 test

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. The value loss recognized can be recovered at a later stage in case of a decrease of the loss.

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: for this, the Group retains a maximum horizon of 15 years and takes into account, in addition to the perspectives of future benefits, the existence of deferred tax liabilities.

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 precise analysis of the rotation and obsolescence of inventory items, taking into account the global consumption of items for maintenance and after-sales services activities, and changes in the ranges 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 21.1) is defined as the amount of 'Cash and cash equivalents' less financial borrowings (as shown in note 21.2) 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 until September 2022, and then Natixis Oddo BHF (see note 16.2).

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 16.5).

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 benefit obligations

The Group is subject to a variety of deferred employee benefit plans, in France or depending on the subsidiary concerned. The only deferred employee liabilities are retirement benefit obligations.

Defined contribution plans

These refer to post-employment benefit 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 contribution plans do not create future liabilities for the Group and hence do not require recognition of provisions.

Most of the defined contribution 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 benefit 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).

These amounts are reviewed each year, for their discounted value, and the change is recorded against equity, Group share.

When the Group purchases minority shares, 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, evolution and online services contracts for equipment and software.

Software sales are only recognized separately when the customer can benefit from the software independently from the other goods and services promised in the contract. In particular, the software accompanying automated cutting equipment (called pilots) are not recognized separately from these, as they are an inseparable part of the equipment: without the pilot, the equipment would be useless, and without the equipment, the pilot has no use either. On the other hand, specialized software (for instance, software for collection management, pattern-making, simulation), 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 accounted 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 Group sets the transaction price of the various components by using observable data. For items not usually sold separately, transaction prices are estimated on the basis of the Group'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 USB flash drive or downloading).

Revenue from subscription sales of software (granting the customer with an access right to 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'.

Lectra acts as principal in the sale of equipment assembled in France and the US 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*) 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 applicable in France is treated as subsidy and is 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 12 and 15).

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 38 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, Middle East and South Africa; 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 its 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 6) and fixed assets impairment, evaluation of deferred tax assets (see note 12.3).

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.

The subsidiary of the Group located in Turkey is using the euro as functional currency and is therefore not subject to the IFRS treatment related to country's hyperinflation.

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)	**2023**	2022
US dollar		
Annual average rate	1.08	1.05
Closing rate	1.11	1.07
Chinese yuan		
Annual average rate	7.66	7.08
Closing rate	7.83	7.43

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.

At December 31, 2023, Lectra SA holds more than 99% of the voting rights of its subsidiaries except for:

- Neteven SA, for which it holds 87%;
- Gemini CAD Systems SA, for which it holds 60%;
- Glengo Lectra Teknoloji AS, for which it holds 75%
- TextileGenesis B.V, for which it holds 51%.

The value of non-controlling interests for these four entities being immaterial compared to the total equity (8,033 thousand euros over 417,860 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, 2023, the Group's scope of consolidation comprised the Company, together with 59 fully-consolidated companies, 23 of which come from the acquisition of Gerber Technology (signaled with an asterisk here below).

		% of ownership and control		Consolidation method(1)	
Company	Country	2023	2022	2023	2022
Parent company					
Lectra SA	France				
Subsidiaries					
Gerber Technology Pty Ltd *	Australia	100.0	100.0	FC	FC
Lectra Australia Pty Ltd	Australia	100.0	100.0	FC	FC
Gerber Technology NV/SA *	Belgium	100.0	100.0	FC	FC
Lectra Benelux NV	Belgium	99.9	99.9	FC	FC
Retviews SA	Belgium	100.0	100.0	FC	FC
Lectra Brasil Ltda	Brazil	100.0	100.0	FC	FC
Gerber Scientific International (Cambodia) Co. Ltd *	Cambodia	100.0	100.0	FC	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	100.0	FC	FC
Gerber Scientific International Ltd *	China	100.0	100.0	FC	FC
Lectra Hong Kong Ltd	China	99.9	99.9	FC	FC
Lectra Systems (Shanghai) Co. Ltd	China	100.0	100.0	FC	FC
Lectra Taiwan Co. Ltd	China	100.0	100.0	FC	FC
Suzhou Lectra Equipment Manufacturing Co	China	100.0	-	FC	-
Omnitrouw Ltd	China	50.5	-	FC	-
Gerber Scientific International A/S *	Denmark	100.0	100.0	FC	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	100.0	FC	FC
Neteven SA	France	87.0	80.0	FC	FC
Gerber Technology GmbH *	Germany	100.0	100.0	FC	FC
Lectra Deutschland GmbH	Germany	99.9	99.9	FC	FC
Lectra Technologies India Private Ltd	India	100.0	100.0	FC	FC
Omnitrouw Technologies Pvt Ltd	India	50.5	-	FC	-
Gerber Technology Srl *	Italy	100.0	100.0	FC	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	100.0	FC	FC
Gerber Technology S. de RL de CV *	Mexico	100.0	100.0	FC	FC
Lectra Systèmes SA de CV	Mexico	100.0	100.0	FC	FC
Gerbertec Maroc Sarl *	Morocco	100.0	100.0	FC	FC
Lectra Maroc Sarl	Morocco	99.4	99.4	FC	FC
TextileGenesis B.V	Netherlands	50.5	-	FC	-
Lectra Philippines Inc.	Philippines	99.8	99.8	NC	NC

Company	Country	% of ownership and control 2023	% of ownership and control 2022	Consolidation method[(1)] 2023	Consolidation method[(1)] 2022
Gerber Technology sp. z o.o. *	Poland	100.0	100.0	FC	FC
Gerber Portugal Lda *	Portugal	100.0	100.0	FC	FC
Lectra Portugal Lda	Portugal	99.9	99.9	FC	FC
Gemini CAD Systems SA	Romania	60.0	60.0	FC	FC
Retviews Bucharest SRL	Romania	100.0	100.0	FC	FC
Lectra Russia OOO	Russia	100.0	100.0	NC	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	100.0	FC	FC
Lectra Sistemas Española SAU	Spain	100.0	100.0	FC	FC
Lectra Sverige AB	Sweden	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
Glengo Lectra Teknoloji AS(2)	Turkey	75.0	75.0	FC	FC
Gerber Scientific UK Ltd *	United Kingdom	100.0	100.0	FC	FC
Gerber Technology Ltd *	United Kingdom	100.0	100.0	FC	FC
Lectra UK Ltd	United Kingdom	99.9	99.9	FC	FC
AG Finco LLC *	USA	100.0	100.0	FC	FC
AG Guarantor LLC *	USA	-	100.0	-	FC
AG Holding Mexico LLC *	USA	100.0	100.0	NC	NC
AG UK Acquireco Ltd *	USA	100.0	100.0	FC	FC
Gerber Scientific LLC *	USA	100.0	100.0	FC	FC
Gerber Technology LLC *	USA	100.0	100.0	FC	FC
Knife Holding Corporation Inc. *	USA	100.0	100.0	FC	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	100.0	FC	FC

(1) FC: Fully consolidated - NC: Non-consolidated
(2) until May 31, 2022, Lectra Systemes CAD - CAM AS

Creation of Lectra Suzhou

In December 2023, Lectra took over the business of Gerber's former subcontractor in China, after the creation of a dedicated entity, Lectra Suzhou (100%-subsidiary). This entity took over the subcontractor's assets and hired part of its employees, for 5,632 thousand euros.

The purchase price accounting is in the process of being finalized, and the main impacts on the Group financial statements to date are as follows:

- Inventory in the amount of 4,117 thousand euros;
- Recording of a goodwill of 502 thousand euros.

The acquisition cost for Lectra has been entirely disclosed under the heading 'Acquisition cost of companies purchased' in the statement of cash flows, for an amount of 5,632 thousand euros.

Acquisition of TextileGenesis

On December 8, 2022, Lectra announced the signature of an agreement to acquire the majority of the capital and voting rights of the Dutch company TextileGenesis. The transaction was finalized on January 9, 2023.

It involves the acquisition of 50.5 % of TextileGenesis for 15.2 million euros including an increase in the working capital of 2.0 million euros fully subscribed by Lectra. The acquisition of the remaining capital and voting rights (minority shares purchase commitment – with cross puts and calls) will take place in January 2026 and in January 2028 and will bring the total cost of the acquisition to 60.6 million euros.

The purchase price accounting is in the process of being finalized, and the main impacts on the Group financial statements to date are as follows:

- Recording of net assets of 8,899 thousand euros, including intangible assets relating to technology and customer relationships for the respective amounts of 2,596 and 4,859 thousand euros, generating a deferred tax liability of 1,640 thousand euros;
- Recording of non-controlling interests, valued at their share in the net assets of the company ("partial goodwill" method), for 4,406 thousand euros;
- Recording of a goodwill of 10,665 thousand euros;
- Recording of a debt to recognize the minority shares purchase commitment, recorded for a total amount of 45,416 thousand euros (classified as non-current liabilities). The counterpart is recorded in 'Equity, Group share'.

The acquisition cost for Lectra, net of cash acquired, has been entirely disclosed under the heading 'Acquisition cost of companies purchased' in the statement of cash flows, for an amount of 12,045 thousand euros.

TextileGenesis has been fully consolidated since January 9, 2023.

Business combination with Glengo Teknoloji

On June 1, 2022, the Group signed a business combination between its subsidiary Lectra Turkey and Glengo Teknoloji ("**Glengo**"), the exclusive distributor of Gerber solutions in Turkey. The transaction involved the acquisition by Lectra Turkey of Glengo's assets (and the onboarding of most of its employees), for 5,023 thousand euros, and the acquisition by Glengo's shareholders of 25% of Lectra Turkey's shares; the company becomes Glengo Lectra Teknoloji. The transaction also includes a mid-term minority shares purchase commitment (with cross puts and calls).

The purchase price accounting was finalized. The debt to recognize the minority shares purchase commitment is recorded for a total amount of 2,010 thousand euros (classified as non-current liabilities).

Glengo Teknoloji has been fully consolidated since June 1st, 2022.

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.

The purchase accounting (performed under IFRS 3) and the evaluation of its effects have been finalized during the first semester 2022. Some amounts, mainly corresponding to tax risks, were revised, resulting in a 6,378 thousand euros increase of the recorded goodwill.

Minority shares purchase commitments

During its past acquisitions (Neteven, Gemini, Glengo, TextileGenesis), the Groupe did not acquire 100% of the capital and voting right at one, but committed to later purchases (sometimes staggered), with cross puts and calls. This entails the recording of a liability (short- or long-term, depending on the scheduling of the options). See note 20.

Out-scoping of Lectra Russia

As soon as the conflict began in 2022, the Group decided to cease its operations in Russia, by suspending the activity of its subsidiary Lectra Russia and stopping all deliveries of products or services. In the consolidated financial statements at December 31, 2022, the Group had recorded an impairment of its net assets in Russia.

Given the absence of exposure for the Group, it was decided to take Lectra Russia out of the consolidation scope, without sale or dilution, as from July 1, 2023. After the impairment of assets carried out in 2022 and the stop of activities in the country, the impact on the Group's consolidated financial statements is not significant.

There was no other change in the scope of consolidation in 2023, nor in 2022.

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 3, Risk Factors — Internal Control And Risk Management Procedures and in chapter 13, Business Trends and Outlook, as well as in the Non-financial Statement (chapter 2), 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 hedges are fully made by the 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 2023, nor in 2022.

The Group's statement of financial position exposure, for Lectra legacy entities, is monitored in real time. Since July 2022, the Company also hedges the inter-company balance sheet positions between Gerber's legacy entities. For that, 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 21), 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, no individual customer has represented more than 4% of consolidated revenues over the last three-year period 2021-2023, and the Company's 10 largest customers combined has represented less than 20% of revenues, and the top 20 customers less than 25%.

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 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 21. The Group was in compliance with the covenant on December 31, 2021, 2022 and 2023.

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 (France) and Tolland (United States) sites, 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 7 of the Non-financial Statement.

NOTE 4 Dividend

The Board of Directors has proposed to the Shareholders' Meeting on April 26, 2024 to declare a dividend of €0.36 per share in 2024 in respect of fiscal year 2023.

The Company declared a dividend of €0.48 per share in 2023, in respect of fiscal year 2022.

NOTE 5 Post-closing events

On January 9, 2024, Lectra announced the signature of an agreement to acquire the majority of the capital and voting rights of the American company Launchmetrics.

Founded in 2015, Launchmetrics develops and sells an innovative cloud-based SaaS platform, composed of seven modules, dedicated to brand performance, for marketing and communications professionals in the Fashion, Lifestyle and Beauty markets.

The transaction, which was finalised January 23, 2024, concerns the acquisition of about 50.3% of Launchmetrics in January 2024 for about 85 million dollars, this amount will depend on recurring revenues and EBITDA for 2023. Acquisition of the remaining capital and voting rights is planned in five stages: in 2025, 2026, 2027, 2028 and 2030. The total acquisition price should be between 200 and 240 million dollars, based on expected double-digit growth in both recurring revenues and EBITDA over the 2024-2029 period.

The Company also entered into an agreement with its banks to replace, in June 2024, the loan initially taken out to finance the acquisition of Gerber Technology by a new loan for the remaining amount (100 million euros), repayable over five years.

Notes to the statement of financial position

NOTE 6 Goodwill

The acquisition, in January 2023, of 50,5% of TextileGenesis B.V. and its subsidiaries in Hong-Kong and India led to a goodwill of 10,665 thousand euros. The take-over of the business of Gerber's former subcontractor in China, after the creation of a dedicated entity, Lectra Suzhou in December 2023, led to a goodwill of 502 thousand euros.

The business combination between Lectra Turkey and Glengo Teknoloji in June 2022 led to a goodwill of 112 thousand euros.

No other acquisition or liquidation was made in fiscal years 2023 or 2022.

	2023	2022
Book value at January 1	**292,626**	**275,250**
Change in scope of consolidation[1]	11,167	112
Revision and final amount for Gerber goodwill	-	6,378
Revision and final amount for Gemini goodwill	-	(71)
Exchange rate differences	(6,487)	10,957
Book value at December 31	**297,306**	**292,626**

(1) Integration of TextileGenesis and Lectra Suzhou in 2023 and Glengo in 2022, see note 2.30.

Impairment tests: parameters used

Goodwill shown in the statement of financial position was subjected to impairment testing in December 2023. The projections used are based on the 2023–2025 plan for each region based on actual 2023 cash flows and on forecast trends in each market concerned and, beyond 2026, 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 2024–2026 plan;
- The normative cost of debt is determined on the basis of average market conditions for the fourth quarter of2023 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: 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 2022.

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 2024–2026 plan;
- A 1 percentage point decline in the gross profit margin assumptions used in the drawing up of the 2024–2026 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, 2023, goodwill and discount rates used in impairment testing were allocated as follows among the different regions:

	2023		2022	
	Discount rate	Goodwill	Discount rate	Goodwill
Americas	9.08%	132,424	10.04%	129,996
Asia – Pacific	9.59%	53,372	10.08%	53,807
Northern & Eastern Europe, Middle East	12.11%	48,664	9.15%	45,715
Southern Europe & North Africa	8.77%	62,848	9.14%	63,107
Total		**297,306**		**292,626**

NOTE 7 Other intangible assets

2022	Internal software and developments	Technology, patents and trademarks	Customer relationships	Other	Total
Gross value at January 1, 2022	**31,105**	**64,717**	**74,166**	**876**	**170,864**
External purchases	1,328	424	-	45	1,796
Internal developments	1,365	-	-	-	1,365
Change in scope of consolidation(1)	-	26	2,402	-	2,428
Write-offs and disposals	(84)	-	-	(12)	(96)
Exchange rate differences	111	3,659	4,589	8	8,367
Gross value at December 31, 2022	**33,825**	**68,826**	**81,157**	**917**	**184,725**
Amortization at December 31, 2022	(26,814)	(11,482)	(8,453)	(867)	(47,616)
Net value at December 31, 2022	**7,011**	**57,344**	**72,704**	**50**	**137,109**

(1) Integration of Glengo in 2022, see note 2.30.

2023	Internal software and developments	Technology, patents and trademarks	Customer relationships	Other	Total
Gross value at January 1, 2023	**33,825**	**68,826**	**81,157**	**917**	**184,725**
External purchases	295	280	-	68	643
Internal developments	3,203	-	-	-	3,203
Change in scope of consolidation(1)	17	2,596	4,859	-	7,472
Write-offs and disposals	(78)	(28)	-	(0)	(106)
Exchange rate differences	(160)	(2,210)	(2,738)	(4)	(5,112)
Gross value at December 31, 2023	**37,102**	**69,464**	**83,278**	**981**	**190,825**
Amortization at December 31, 2023	(29,106)	(17,753)	(14,079)	(873)	(61,811)
Net value at December 31, 2023	**7,996**	**51,711**	**69,199**	**108**	**129,014**

(1) Integration ofTextileGenesis and Lectra Suzhou in 2023, see note 2.30.

Changes in amortization:

2022	Internal software and developments	Technology, patents and trademarks	Customer relationships	Other	Total
Amortization at January 1, 2022	**(24,207)**	**(4,825)**	**(2,884)**	**(865)**	**(32,780)**
Amortization charges	(2,655)	(6,535)	(5,454)	(2)	(14,646)
Amortization write-backs	84	-	-	1	85
Exchange rate differences	(36)	(122)	(115)	(2)	(274)
Amortissements au 31 décembre 2022	**(26,814)**	**(11,482)**	**(8,453)**	**(867)**	**(47,616)**

2023	Internal software and developments	Technology, patents and trademarks	Customer relationships	Other	Total
Amortization at January 1, 2023	**(26,814)**	**(11,482)**	**(8,453)**	**(867)**	**(47,616)**
Amortization charges	(2,419)	(6,743)	(6,025)	(9)	(15,196)
Amortization write-backs	26	37	-	(0)	63
Exchange rate differences	101	435	399	3	938
Amortization at December 31, 2023	**(29,106)**	**(17,753)**	**(14,079)**	**(873)**	**(61,811)**

Internal software and developments

As part of an ongoing process to upgrade and reinforce its information systems, in 2022 and 2023 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, from 2021, the impacts of the acquisition method accounting for Gerber, Neteven and Gemini, as well as TextileGenesis since 2023 including the following values (net book values at December 31, 2023 closing rate):

- Gerber trademark: 22,474 thousand euros;
- Technologies: 28,506 thousand euros (of which 24,074 thousand euros for Gerber technologies).

Customer relationships

This caption solely includes the valuation of Gerber, Glengo and TextileGenesis customer relationships, as identified during the acquisition method accounting.

Other intangible assets

At December 31, 2023, nearly all of the other intangible assets were fully amortized several years ago. The net residual value of these intangible assets was 108 thousand euros.

NOTE 8 Leasing right-of-use

The following table sets out leasing right-of-use by category:

2022	Premises	Company cars	Equipment and other	Total
Gross value at January 1, 2022	**36,577**	**8,143**	**1,297**	**46,017**
New contracts	7,193	1,837	141	9,171
Change in scope of consolidation(1)	35	-	-	35
Modification of existing contracts	(1,151)	(46)	(12)	(1,209)
Disposals	(1,415)	(1,245)	(353)	(3,013)
Exchange rate differences	965	(8)	11	968
Gross value at December 31, 2022	**42,204**	**8,680**	**1,084**	**51,969**
Amortization at December 31, 2022	(18,183)	(4,893)	(810)	(23,886)
Net value at December 31, 2022	**24,020**	**3,787**	**275**	**28,083**

(1) Integration of Glengo in 2022, see note 2.30.

2023	Premises	Company cars	Equipment and other	Total
Gross value at January 1, 2023	**42,204**	**8,680**	**1,084**	**51,969**
New contracts	3,817	2,822	232	6,872
Change in scope of consolidation(1)	1,477	-	-	1,477
Modification of existing contracts	4	(101)	17	(81)
Disposals	(1,141)	(1,816)	(370)	(3,326)
Exchange rate differences	(951)	(15)	(18)	(984)
Gross value at December 31, 2023	**45,411**	**9,571**	**946**	**55,927**
Amortization at December 31, 2023	(23,325)	(5,551)	(729)	(29,605)
Net value at December 31, 2023	**22,086**	**4,019**	**217**	**26,322**

(1) Integration of TextileGenesis and Lectra Suzhou in 2023, see note 2.30.

Information on lease liabilities is set out in note 19.
The Tolland lease (United States), inherited from the Gerber acquisition in 2021, 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, 2023.

NOTE 9 Property, plant and equipment

2022	Land and buildings	Fixtures and fittings	Equipment and other	Assets under construction	Total
Gross value at January 1, 2022	**15,006**	**24,389**	**30,175**	**1,771**	**71,341**
Additions	166	969	3,235	156	4,527
Change in scope of consolidation(1)	-	-	545	-	545
Write-offs and disposals	-	(1,000)	(1,185)	-	(2,184)
Transfers	454	476	631	(1,561)	-
Exchange rate differences	(5)	248	67	0	311
Gross value at December 31, 2022	**15,622**	**25,082**	**33,468**	**367**	**74,539**
Depreciation at December 31, 2022	(7,561)	(14,274)	(24,805)	-	(46,639)
Net value at December 31, 2022	**8,061**	**10,808**	**8,664**	**367**	**27,900**

(1) Integration of Glengoin 2022, see note 2.30.

2023	Land and buildings	Fixtures and fittings	Equipment and other	Assets under construction	Total
Gross value at January 1, 2023	**15,622**	**25,082**	**33,468**	**367**	**74,539**
Additions	-	539	2,223	478	3,239
Change in scope of consolidation(1)	-	115	141	-	256
Write-offs and disposals	-	(13)	(284)	(14)	(311)
Transfers	-	10	337	(347)	-
Exchange rate differences	(37)	(197)	(178)	-	(411)
Gross value at December 31, 2023	**15,585**	**25,536**	**35,707**	**484**	**77,312**
Depreciation at December 31, 2023	(7,814)	(16,237)	(27,462)	-	(51,512)
Net value at December 31, 2023	**7,771**	**9,299**	**8,246**	**484**	**25,800**

(1) Integration of TextileGenesis and Lectra Suzhou in 2023, see note 2.30.

Changes in depreciation:

2022	Land and buildings	Fixtures and fittings	Equipment and other	Assets under construction	Total
Depreciation at January 1, 2022	**(7,310)**	**(13,041)**	**(22,930)**	**-**	**(43,281)**
Additional depreciation	(251)	(2,206)	(3,034)	-	(5,490)
Write-offs and disposals	-	1,000	1,185	-	2,184
Transfers	-	-	-	-	-
Exchange rate differences	0	(27)	(26)	-	(52)
Depreciation at December 31, 2022	**(7,561)**	**(14,274)**	**(24,805)**	**-**	**(46,639)**

2023	Land and buildings	Fixtures and fittings	Equipment and other	Assets under construction	Total
Depreciation at January 1, 2023	**(7,561)**	**(14,274)**	**(24,805)**	**-**	**(46,639)**
Additional depreciation	(258)	(2,063)	(2,991)	-	(5,312)
Write-offs and disposals	-	13	224	-	237
Transfers	-	-	-	-	-
Exchange rate differences	5	87	110	-	202
Depreciation at December 31, 2023	**(7,814)**	**(16,237)**	**(27,462)**	**-**	**(51,512)**

Land and buildings

'Land and buildings' pertain mostly to the Group's industrial facilities in Bordeaux-Cestas (France), amounting to a gross value of 14,910 thousand euros, net of investment grants received and to a net value of 7,195 thousand euros at December 31, 2023. They also include the offices of Lectra Korea, located in Seoul, purchased on May 1, 2014, for a net amount of 575 thousand euros at December 31, 2023 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, 2023, the land (non-depreciable) is valued at 961 thousand euros. The buildings total a gross value of 14,623 thousand euros, already 7,814 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 25,536 thousand euros and for a net amount of 9,299 thousand euros at December 31, 2023.

Investments have been made in fixtures and fittings in 2023 and 2022 throughout the Group. In 2023, as in 2022, the investments mostly related to the rehabilitation of buildings on the Bordeaux-Cestas facilities.

Matériels et autres immobilisations corporelles

Other fixed assets purchased in 2023 and 2022 mainly concerned computer equipment and manufacturing molds and tools for the Bordeaux-Cestas industrial facility.

NOTE 10 Other non-current assets

2022	Non-consolidated investments in subsidiaries	Research tax credit receivable	Other non-current financial assets	Total
Gross value at January 1, 2022	**2,239**	**18,937**	**4,677**	**25,853**
Additions	-	50	11,828	11,878
Disposals	-	-	(12,200)	(12,200)
Discounting effect	-	(1,140)	-	(1,140)
Reclassification	-	(5,173)	343	(4,830)
Exchange rate differences	-	-	106	106
Gross value at December 31, 2022	**2,239**	**12,674**	**4,754**	**19,666**
Impairment provision at December 31, 2022	(1,096)	-	(126)	(1,223)
Net value at December 31, 2022	**1,142**	**12,674**	**4,627**	**18,443**

2023	Non-consolidated investments in subsidiaries	Research tax credit receivable	Other non-current financial assets	Total
Gross value at January 1, 2023	**2,239**	**12,674**	**4,754**	**19,666**
Additions	-	-	10,994	10,313
Change in scope of consolidation(1)	17	-	-	17
Disposals	-	(681)	(11,493)	(12,174)
Discounting effect	-	621	-	621
Reclassification	-	276	55	331
Exchange rate differences	-	-	(137)	(137)
Gross value at December 31, 2023	**2,256**	**12,890**	**4,173**	**19,318**
Impairment provision at December 31, 2023	(1,168)	-	-	(1,168)
Net value at December 31, 2023	**1,088**	**12,890**	**4,173**	**18,150**

(1) Integration of TextileGenesis and Lectra Suzhou in 2023, see note 2.30.

Investments in subsidiaries

'Investments in subsidiaries' exclusively concern companies not included in the scope of consolidation.

At December 31, 2023, three sales and service legacy subsidiaries were not consolidated, their revenues being immaterial both separately and in the aggregate. They act as commercial representatives. Most of these subsidiaries' sales activity is billed directly by the Company (see note 11). Lectra Russia has been added to this list since July 1st, 2023.

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 15 describes the principles for accounting of the research tax credit receivable.

Other non-current financial assets

'Other non-current financial assets' at December 31, 2023 primarily consisted of deposits and guarantees for 3,914 thousand euros (4,471 thousand euros at December 31, 2022) together with the amount of 431 thousand euros placed by the Company at the disposal of Natixis Oddo BHF, along with company shares under the liquidity agreement (see note 16.2).

The cumulative amount of all transactions on treasury shares by Natixis Oddo BHF 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 16.2).

The movements for the period also concern cash exchanged between the Company and Natixis Oddo BHF, under the liquidity agreement managed by the latter.

NOTE 11 Related-party transactions

The amounts below refer to fiscal year 2023 (or 2022) or December 31, 2023 (or 2022), as applicable.

Type of transaction	Items concerned in consolidated financial statements	Non-consolidated subsidiaries concerned	2023	2022
Receivables (1)	Trade accounts receivable	Lectra Philippines Inc. (Philippines)	144	23
		Lectra Chile SA (Chile)	19	38
Payables (1)	Trade payables and other current liabilities	Lectra Singapore Pte Ltd (Singapore)	(876)	(1,271)
		Lectra Philippines Inc. (Philippines)	(30)	(6)
Sales (2)	Revenues	Lectra Chile SA (Chile)	99	79
		Lectra Philippines Inc. (Philippines)	93	113
Commissions (2)	Selling, general and administrative expenses	Lectra Singapore Pte Ltd (Singapore)	(60)	(194)
Personnel invoiced (2)	Selling, general and administrative expenses	Lectra Singapore Pte Ltd (Singapore)	(678)	(1,444)
Fees & others (2)	Selling, general and administrative expenses	Lectra Singapore Pte Ltd (Singapore)	0	(126)
Dividends (2)	Financial income	Lectra Chile SA (Chile)	107	108
		Lectra Philippines Inc. (Philippines)	0	270

(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 31.5 and 31.6.

NOTE 12 Taxes

Note 12.1 Tax expense

	2023	2022
Current tax income (expense)	(12,702)	(17,331)
Deferred tax income (expense)	1,348	2,194
Net tax income (expense)	**(11,354)**	**(15,137)**

The research tax credit (crédit d'impôt recherche) applicable in France is deducted from R&D expenses (see note 29). It amounts to 4,585 thousand euros in 2023 (7,215 thousand euros in 2022).

This tax credit is therefore not included in the net tax charge for the two fiscal years presented here.

Note 12.2 Effective tax rate

	2023	2022
Income before tax	**43,968**	**58,965**
Standard rate of corporate income tax in France	25.7%	25.8%
Expense at standard rate of corporate income tax in France	**(11,309)**	**(15,187)**
Effect of other countries' different tax rates	(376)	52
Effect of unrecognized deferred tax assets	(1,550)	362
Effect of tax credits(1)	(94)	1 811
Effect of CVAE(2)	(390)	(753)
Effect of tax litigations provisions	(2,196)	(1,100)
Effect of other non taxable income and non deductible expenses(3)	2,317	(124)
Others(4)	2,243	(197)
Net tax income / (expense)	**(11,354)**	**(15,137)**
Consolidated effective tax rate	25.8%	25.7 %

(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.
(4) Essentially includes the effects of Gerber's American tax integration on its foreign subsidiaries.

Note 12.3 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, 2023, unrecognized deferred tax assets totaled 10,672 thousand euros (8,319 thousand euros at December 31, 2022), of which 7,717 thousand euros for Gerber entities. The 10,672 thousand euros include 10,319 thousand euros of deferred tax on unrecognized tax loss carryforwards (including 7,368 thousand euros for the Gerber entities), tax losses mainly located in the USA (5,367 thousand euros), in France (2,475 thousand euros – for Neteven) and in the United Kingdom (1,597 thousand euros).

The share of deferred taxes directly recognized in other comprehensive income for the year worked out to a positive 241 thousand euros corresponding to the tax effect of actuarial gains and losses on retirement benefit obligations booking (a negative 455 thousand euros in 2022).

Deferred taxes are listed below according to the type of timing difference:

2022	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, 2022	8,302	(16,246)	793	3,383	12,816	9,047
Change in scope of consolidation[1]	(6)	43	15	15	-	68
P&L impact	(925)	313	189	(47)	2,663	2,194
Other comprehensive income impact	-	-	-	-	(455)	(455)
Exchange rate differences	555	(1,020)	37	152	358	82
Total at December 31, 2022	**7,926**	**(16,910)**	**1,034**	**3,504**	**15,382**	**10,935**

(1) Integration of Glengo and opening balance sheet revision for Gerber and Gemini in 2022, see note 2.30

2023	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, 2023	7,926	(16,910)	1,034	3,504	15,382	10,935
Change in scope of consolidation[1]	-	(1,640)	-	167	-	(1,473)
P&L impact	4,325	1,207	64	175	(4,423)	1,348
Other comprehensive income impact	-	-	-	-	241	241
Exchange rate differences	(351)	631	(24)	(177)	(272)	(193)
Total at December 31, 2023	**11,900**	**(16,712)**	**1,074**	**3,669**	**10,928**	**10,858**

(1) Integration of TextileGenesis and Lectra Suzhou in 2023, see note 2.30.

'Other timing differences' comprise mainly timing differences related to retirement benefits and profit-sharing in France for Lectra SA, 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 12.4 Schedule of recognized tax losses carry-forwards

	Expiration date			
	2024	Between 2024 and 2028	Beyond 2028	Total
Deferred tax assets on tax losses[1]	41	117	11,742	**11,900**

(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 13 Inventories

	2023	2022
StockRaw materials	69,284	71,365
Finished goods and work-in-progress(1)	18,305	19,551
Inventories, gross value	**87,589**	**90,916**
Raw materials	(11,726)	(10,299)
Finished goods and work-in-progress(1)	(5,177)	(5,137)
Write-downs	**(16,903)**	**(15,436)**
Raw materials	57,558	61,065
Finished goods and work-in-progress(1)	13,128	14,414
Inventories, net value	**70,686**	**75,479**

(1) Including demonstration and second-hand equipment.

1,329 thousand euros of inventory fully written-down was scrapped in the course of 2023 (1,620 thousand euros in 2022), thereby diminishing the gross value and write-downs by the same amount. Inventory write-downs charged for the year amounted to 9,695 thousand euros (8,386 thousand euros in 2022). Reversals of previous write-downs relating to sales transactions amounted to 7,377 thousand euros (6,816 thousand euros in 2022), booked against the charges for the period.

NOTE 14 Trade accounts receivable

	2023	2022
Trade accounts receivable, gross value	95,929	91,955
Provision for impairment	(4,070)	(3,770)
Trade accounts receivable, net value	**91,859**	**88,185**

Trade receivables at December 31, 2023 include a great portion of the 94,103 thousand euros, excluding taxes, on recurring contracts, other services and equipment billed in advance for 2024, but not yet collected (compared with 88,755 thousand euros, excluding taxes, at December 31, 2022 in respect of 2023), and for which the counterpart is recorded in 'Deferred revenues' (see note 23). Payments on recurring contracts generally become due on the first day of the period they cover.

Thus, at December 31, 2023, trade accounts receivable, net from deferred revenues and provision for impairment, amount to a negative 2,244 thousand euros (a negative 570 thousand euros at December 31, 2022).

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:

	2023	2022
Impairment at January 1	**(3,770)**	**(3,510)**
Additional impairment	(1,344)	(1,014)
Write-back of impairment	1,011	766
Exchange rate differences	33	(12)
Impairment at December 31	**(4,070)**	**(3,770)**

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 32).

Schedule of gross receivables by maturity:

	2023	2022
Receivables not yet due	69,215	71,492
Receivables overdue by:	26,714	20,463
- less than 1 month	13,004	11,129
- 1-3 months	6,128	4,815
- more than 3 months	7,582	4,519
Total	**95,929**	**91,955**

The majority of the provisions of accounts receivable and related accounts amounting to 4,070 thousand euros at December 31, 2023 concerned accounts more than three months overdue.

NOTE 15 Other current assets

	2023	2022
Research tax credit(1)	5,039	8,427
Other tax receivables	4,543	2,698
Income tax down-payments	2,877	3,317
Staff and social security receivables	378	689
Other current assets	8,605	9,095
Total other current assets	**21,441**	**24,227**

(1) The current portion of the research tax credit corresponds to the amount receivable within one year (which represent exceptionally two years of research tax credit at the end of 2022).

Research 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 historically 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 10).

The research tax credit (4,585 thousand euros) for fiscal 2023 was accounted for but not received.

Thus, at December 31, 2023, the Group held a 18,448 thousand euros receivable on the French tax administration (of which 13,409 thousand euros classified within other non-current assets – see note 10). This comprised:

- the remaining amount of the research tax credit, after deduction from the corporate income tax due by Lectra in the same year: for 2023 and 2022 (0 euros since the research tax credit was fully deducted from the corporate income tax of that year), 2021 (5,967 thousand euros), 2020 (6,914 thousand euros) 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 2023 (252 thousand euros) and for 2022 (276 thousand euros).

Besides, the previous amounts due in more than one year have been discounted by an amount of 519 thousand euros.

The Group has also recorded a provision for risk of 2,000 thousand euros in 2022, taking into account current exchanges with the French tax administration concerning the Lectra SA research tax credit. This provision was increased by 4,600 thousand euros in 2023. (see note 33).

In light of its estimates of tax credits and corporate income tax for the next three fiscal years, the Group does not expect to make any payment in respect of corporate income tax in France, from which will be deducted in full the research tax credit of each fiscal year. Lectra thus received during the 2023 fiscal year the balance of 3,487 thousand euros for the 2019 tax credit and expects to receive the reimbursement of the outstanding balance of these non-deducted tax credits as follows: in 2024 (in respect of the 2018 and 2020 tax credits), 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, 2023 comprised the recoverable value-added tax for the 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 16 Shareholders' equity

Note 16.1 Share capital and share premium

The share capital at December 31, 2023 totaled €37,832,965, divided into 37,832,965 shares with a par value of €1.00 (It was €37,788,949, divided into 37,788,949 shares with a par value of €1.00, at December 31, 2022.

As of January 1, 2023, the capital was increased by 44,016 shares due to the exercise of stock options, leading to an increase of €44,016 in the share capital and a total issue premium of €642,914 (issue of 45,990 shares in 2022).

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 2023 and 2022.

Note 16.1.1 Share capital

	2023		2022	
	Number of shares	Share capital (in euros)	Number of shares	Share capital (in euros)
Share capital at January 1	**37,788,949**	**37,788,949**	**37,742,959**	**37,742,959**
Stock options exercised	44,016	44,016	45,990	45,990
Share capital at December 31	**37,832,965**	**37,832,965**	**37,788,949**	**37,788,949**

The shares comprising the capital are fully paid up.

Note 16.1.2 Share premium

	2023	2022
Share premium at January 1	**140,134**	**139,511**
Stock options exercised	643	623
Share premium at December 31	**140,777**	**140,134**

Note 16.2 Treasury shares

The ordinary shareholders' meeting on April 28, 2023 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).

In order to promote the liquidity of transactions and the regularity of Lectra share quotations, the Groupe entrusted Natixis Oddo BHF in September 2022 with the management of its shares under a liquidity contract in accordance with the regulations and market practice accepted by the AMF.

At December 31, 2023, the Company held 31,409 shares, i.e. 0.08% of its capital within the framework of the liquidity agreement (compared with 0.8% at December 31, 2022) for a total of 885 thousand euros (compared with 1,037 thousand euros at December 31, 2022) representing an average purchase price of €28.16 per share, which has been deducted from shareholders' equity.

The resources allocated to the liquidity agreement also included, at December 31, 2023, the amount of 431 thousand euros.

The Company holds no treasury shares outside the framework of the liquidity agreement.

	2023			2022		
	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)	**29,909**	**(1,037)**	**34.67**	**7,035**	**(271)**	**38.51**
Liquidity agreement						
Purchases (at purchase price)	335,413	(10,588)	31.57	334,278	(12,064)	36.09
Sales (at sale price)	(333,913)	10,558	31.62	(311,404)	11,329	36.38
Net cash flow(1)	1,500	(30)		22,874	(735)	
Gains (losses) on disposals		(182)			31	
Treasury shares at December 31 (historical cost)	**31,409**	**(885)**	**28.16**	**29,909**	**(1,037)**	**3.67**

(1) A negative figure corresponds to a net outflow reflecting purchases and sales of its own shares by the Company.

Note 16.3 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, 2023, 37,639,966 shares qualified for normal voting rights, and only 192,999 (i.e. 0.5% 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, 2023, the theoretical total number of voting rights attached to the Company's shares was 38,025,964. This number has been reduced to 37,994,555 due to the fact that no voting rights are attached to treasury shares (under the liquidity agreement).

Note 16.4 Statutory thresholds

Other than the legal notification requirements for crossing the thresholds established by French law, there is no special statutory obligation.

Note 16.5 Stock option plans

At December 31, 2023, 329 employees were the beneficiaries of 1,252,951 options and 12 former employees still held 124,616 options; altogether, 341 persons were beneficiaries of options (respectively 318,6 and 324 at December 31, 2022).

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 39,210,532, made up as follows:
- share capital: 37,832,965 shares;
- stock options: 1,377,567 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 as of December 31, 2023 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, 2023, the share capital would increase by €1,377,567, together with a total issue premium of €32,103,072.

None of the 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 2023 and 2022 was measured at grant date by means of the Black & Scholes method, using the following assumptions:

	2023	2022
Exercise price (in euros)	28.25	38.50
Share price on the date of allocation (in euros)	28.10	38.50
Risk-free interest rate	2.78%	0.80%
Dividend payout rate	1.68%	0.97%
Volatility	34.40%	33.30%
Duration of options	4 years	4 years
Fair value of one option (in euros)	7.45	9.58

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 7, 2023 amounts to 1,951 thousand euros. It was reduced to 1,861 thousand euros following the cancellation of options after the calculation of the actual performance of 2023 for each beneficiary and the departure of six beneficiaries in 2023.

An expense of 1,499 thousand euros was recognized in the 2023 financial statements, including 253 thousand euros in respect of the grants made in 2023, and 1,246 thousand euros in respect of options granted previously. Charges for the year are recognized under personnel expenses.

Plans in force at December 31, 2023 will impact the years 2024, 2025 and 2026 alone in the estimated amounts of 1,221; 826 and 446 thousand euros respectively.

The Group paid a 321 thousand euros employer's contribution based on the fair value of the options granted in 2023, fully expensed in personnel costs for 2023.

Note 16.5.1 Stock options outstanding: options granted, exercised and canceled during the period

	2023		2022	
	Number of stock options	Average exercise price (in euros)	Number of stock options	Average exercise price (in euros)
Stock options outstanding at January 1	**1,198,830**	**23.25**	**1,102,470**	**20.50**
Stock options granted during the year	261,865	28.25	184,990	38.50
Stock options exercised during the year	(44,016)	15.61	(45,990)	14.55
Stock options expired/canceled during the year	(39,112)	28.28	(42,640)	27.57
Stock options outstanding at December 31	**1,377,567**	**24.31**	**1,198,830**	**23.25**
- of which fully acquired	781,330	17.91	218,517	16.92
- of which remaining to be acquired	596,237	32.69	980,313	24.66

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.

Note 16.5.2 Breakdown of stock options outstanding at December 31, 2023, by category of beneficiaries

	2023				
	Number of beneficiaries	Number of stock options	%	Of which fully vested	Of which exercise rights remain to be acquired
Executive Committee[(1)]	13	481,039	35%	224,967	256,072
Group management	11	154,394	11%	79,423	74,971
Other employees	305	617,518	45%	352,324	265,194
Persons having left the company and still holding unexercised options	12	124,616	9%	124,616	-
Total	**341**	**1,377,567**	**100%**	**781,330**	**596,237**

(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 16.5.3 Breakdown of stock options at December 31, 2023, by expiration date and exercise price

Grant date	Expiration date	Number of stock options	Exercise price (in euros)
June 9, 2016	June 9, 2024	50,759	14.50
June 8, 2017	June 8, 2025	2,024	28.25
June 12, 2018	June 12, 2026	3,585	22.25
June 12, 2019	June 12, 2027	3,678	22.50
June 9, 2020	June 9, 2028	717,873	18.00
June 8, 2021	June 8, 2029	184,531	33.50
June 8, 2022	June 8, 2030	165,305	38.50
June 7, 2023	June 7, 2031	249,812	28.25
Total		**1,377,567**	**24,30**

The 124,616 options held by people having left the Group and still holding unexercised options, are broken down by expiration date as follows: 123,122 options in 2024 and 1,494 options in 2025.

Note 16.5.4 Breakdown of stock options for which exercise rights remain to be acquired after December 31, 2023 by the beneficiaries

Year of vesting	Number of stock options
2024	182,410
2025	164,759
2026	249,068
Total	**596,237**

Note 16.5.5 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 16.5.6 Stock options granted in 2023

The Board of Directors, meeting on June 7, 2023, granted, in respect of the 2023 stock option plan, a maximum of 261,865 options to 218 beneficiaries, at an exercise price of €28.25 per share, as follows:

- a maximum number of 104,359 options to 11 members of the Executive Committee, for which the right to exercise the options is dependent on the presence on December 31, 2026 and on the 2023-2025 performance for all the options granted;
- 36,676 options to 11 of the most senior managers, for which the right to exercise the options is dependent on the presence on December 31, 2026 for half of the options granted and to the presence and the performance in 2023 for the other half of the options granted; and
- 120,830 options to 196 beneficiaries, for which the right to exercise the options is dependent on the presence on December 31, 2026.

The definitive number of options at December 31, 2023 is then calculated with reference to the percentage fulfilment of targets set for the beneficiaries for 2023. It also takes account of departures between the date of grant and the end of the year 2023.

At the date of this report, the calculations of actual performance in 2023, based on the Group's consolidated financial statements, have been finalized for all the most senior managers and 8,829 options were canceled out of the 36,676 options originally granted to them. The calculations of the performance of the members of the Executive Committee for the period 2023-2025 and the cancellation of the non acquired options due to the non-achievement of the 2023-2025 objectives will be carried out in 2026.

Moreover, 3,224 options have ceased to be valid mainly due to the departure of six beneficiaries in 2023.

As a result, the total number of options at December 31, 2023 initially granted (261,865 options to 218 beneficiaries) has been reduced to 249,812 and the number of beneficiaries to 212.

The ten Group employees to whom the largest number of options was granted in the course of fiscal 2023 were granted a total of 107,544 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, 2026 (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 16d, 16e, and 16f, between January 1, 2023 and December 31, 2026) the right to exercise options shall be maintained in full.

Moreover, 27,059 options granted prior to 2023 have ceased to be valid due to the departure of the beneficiaries or because they have not been exercised.

Note 16.5.7 Stock options exercised in 2023

44,016 options pertaining to the different option plans in force at December 31, 2022 were exercised in 2023.

	2023	
Grant date	Number of stock options exercised	Exercise price (in euros)
June 12, 2015	13,768	13.75
June 9, 2016	22,952	14.50
June 8, 2017	284	28.25
June 12, 2018	720	22.25
June 12, 2019	6,115	22.50
June 9, 2020	177	18.00
Total	**44,016**	**15.61**

NOTE 17 Currency translation adjustments

Les variations constatées en 2023 et 2022 s'expliquent comme suit :

	2023	2022
Cumulative translation adjustments at January 1	**30,346**	**12,132**
Differences on translation of subsidiaries' income statements	16	(259)
Adjustments required to maintain subsidiaries' retained earning at historical exchange rate	(9,219)	16,617
Other movements	(4,166)	1,856
Cumulative translation adjustments at December 31	**16,977**	**30,346**

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/$1.22), accounts for the strong variance of translation adjustments since then (the closing rate of €1/$1.07 in 2022, and then €1/$1.10 in 2023).

NOTE 18 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:

2022	France	Italy	Japan	Others	Total
Retirement benefits at January 1, 2022	**8,394**	**1,513**	**972**	**470**	**11,348**
Expense/(income) of the year	570	67	74	242	953
Benefits paid	(426)	(105)	(222)	(69)	(822)
Contributions paid	-	-	-	(12)	(12)
Actuarial losses (gains)	(1,782)	(140)	82	2	(1,838)
Exchange rate differences	-	-	(70)	21	(49)
Retirement benefits at December 31, 2022	**6,756**	**1,335**	**836**	**654**	**9,580**

2023	France	Italy	Japan	Others	Total
Retirement benefits at December 31, 2022	**6,756**	**1,335**	**836**	**654**	**9 580**
Expense/(income) of the year	519	115	53	207	894
Benefits paid	(440)	(71)	(154)	(108)	(773)
Contributions paid	-	-	-	(11)	(11)
Actuarial losses (gains)	1,217	(27)	(32)	(152)	1,006
Exchange rate differences	-	-	(80)	(23)	(103)
Retirement benefits at December 31, 2023	**8,052**	**1,352**	**623**	**567**	**10,593**

Breakdown of net annual charge:

2022	France	Italy	Japan	Others	Total
Service cost provided in the year	487	60	72	182	801
Past service cost	-	-	-	-	-
Net interest cost	83	7	2	60	152
Expense/(income) of the year	**570**	**67**	**74**	**242**	**953**

2023	France	Italy	Japan	Others	Total
Service cost provided in the year	365	77	45	132	619
Past service cost	(90)	-	3	-	(87)
Net interest cost	244	38	5	75	362
Expense/(income) of the year	**519**	**115**	**53**	**207**	**894**

Main actuarial assumptions used in 2023:

	France	Italy	Japan
Discount rate	3.40%	3.36%	0.90%
Average rate of salary increase, including inflation	4.55%	3.00%	0.50%
Personnel turnover rate	6.91% / 15.22%	3.00%	9.90%

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 2.2%.

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 6.91% for non-managerial grade personnel, and 15.22% for managerial grade personnel. It was 0% over 50 years of age.

NOTE 19 Lease liabilities

Statement of changes in lease liabilities

2022	Long term lease liabilities	Short term lease liabilities	Total
Book value at January 1, 2022	**25,930**	**8,500**	**34,430**
New contracts and renewals	6,615	2,555	9,170
Change in scope of consolidation(1)	-	35	35
Reimbursement	-	(10,157)	(10,157)
Reclassification	(8,336)	8,336	-
Others	(14)	(405)	(419)
Exchange rate differences	1,126	184	1,310
Book value at December 31, 2022	**25,321**	**9,048**	**34,369**

(1) Integration of Glengo in 2022, see note 2.30.

2023	Long term lease liabilities	Short term lease liabilities	Total
Book value at January 1, 2023	**25,321**	**9,048**	**34,369**
New contracts and renewals	4,529	2,342	6,872
Change in scope of consolidation(1)	963	513	1,477
Reimbursement	-	(10,579)	(10,579)
Reclassificaiton	(8,192)	8,192	-
Others	3	(123)	(120)
Exchange rate differences	(551)	(249)	(800)
Book value at December 31, 2023	**22 074**	**9,145**	**31,219**

(1) Integration of TextileGenesis and Lectra Suzhou in 2023, see note 2.30.

Maturity schedule of lease liabilities at December 31, 2023

	Until 2024	Between 2025 and 2029	Beyond 2029	Total
Lease liabilities	9,144	19,911	2,163	**31,218**

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 26.

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 20 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 acquire 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 purchase minorities' shares was then estimated to a total 6,500 thousand euros. As the staggered acquisitions in increments of 10% took place as initially planned, the Group now holds 100% of the capital and voting rights since July 1, 2022, and the liability corresponding to the commitment to purchase minorities' shares was extinguished.

In 2021, with the acquisitions of 80% of Neteven and 60% of Gemini (see note 2.30), the Group has also committed to buy 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 purchase minorities' shares was then estimated to 2,500 thousand euros for Neteven and 7,000 thousand euros for Gemini. Following the departure of one of the founders of Neteven in 2022, the Group proceeded to buy out his shares in the company and the residual debt was reevaluated at 1,277 thousand euros (1,214 thousand euros in discounted value). For Gemini, the corresponding debt has been reevaluated in December 31, 2023 at 6,808 thousand euros (6,439 thousand euros in discounted value).

On June 1, 2022, the Group signed a business combination between its subsidiary Lectra Turkey and Glengo, the exclusive distributor of Gerber solutions in Turkey. The transaction involved the acquisition by Lectra Turkey of Glengo's assets (and the onboarding of most of its employees), for 5.0 million euros, and the acquisition by Glengo's shareholders of 25% of Lectra Turkey's shares; the company became Glengo Lectra Teknoloji. The transaction also includes a mid-term minority shares purchase in June, 2025 commitment valued at 2,010 thousand euros (1,910 thousand euros in discounted value).

In 2023, with the acquisition of 50.5% of TextileGenesis, the Group has also committed to buy the remaining capital and voting rights in two installments (January, 2026 and January, 2028). The liability related to the commitment to purchase minorities' shares was estimated to a total 45,416 thousand euros (41,675 thousand euros in discounted value).

The following table shows the evolution of these liabilities in the Group's statement of financial position:

	2023	2022
Commitments to purchasing minorities' shares at January 1	**10,450**	**11,964**
Purchase of 10% of Retviews (July payments)	-	(1,415)
Purchase of 10% of Retviews (January payments)	-	(299)
Purchase of 7% of Neteven	(833)	-
Revaluation of the existing commitments	(571)	(750)
Commitment to purchasing minorities' shares of TextileGenesis	45,416	-
Commitment to purchasing minorities' shares of Glengo	-	2,000
Discounting on commitments to purchasing minorities' shares	(3,223)	(1,050)
Commitments to purchasing minorities' shares at December 31	**51,238**	**10,450**
of which, current portion	***1,702***	***-***
Gemini	1,702	-
of which, non-current portion	***49,536***	***10,450***
Neteven	1,214	2,250
Gemini	4,737	6,350
Glengo	1,910	1,850
TextileGenesis	41,675	-

NOTE 21 Borrowings and financial debts

Note 21.1 Net cash / net debts

	2023	2022
Available cash	111,049	103,634
Cash equivalents	4,000	27,000
Borrowings and financial debts	(98,089)	(119,276)
Net cash / (net debt)	**16,960**	**11,358**

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 21.2 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 or 6-month Euribor rate (with a 0% floor), to which a margin is added, depending on a leverage ratio and set at 85 base points for the first year and at 75 base points since.

Two installments of 21.0 million euros each were repaid on June 1, 2022, and then on June 1, 2023.

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, 2023, the maturity of the loan was as follows:

	2023	2022
Short term – less than one year	21,405	21,784
Long term – more than one year, and less than five years	76,684	97,492
Total	**98,089**	**119,276**

In 2023, the global effective interest rate, after inclusion of the costs related to the set-up of the loan, was 4.18 % (1.37% in 2022). In the theoretical case where 3-month Euribor would stay identical to that of December 31, 2023 (that is 3.909%), the global effective interest rate would be 5.05% in 2024.

Interest paid

The Group paid out 4,504 thousand euros in 2023 as interest for this loan (794 thousand euros in 2022).

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 before non-recurring items on December 31 of each year. The Group was in compliance with the covenant on December 31, 2021, December 31, 2022 and December 31, 2023.

Note 21.3 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 by any instrument, the (initially) 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:

	2023			2022		
	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	98,000	106,750	534	119,000	127,750	639
Total	**98,000**	**106,750**	**534**	**119,000**	**127,750**	**639**

Note 21.4 Instruments financiers de couverture du risque de change

In 2023 and 2022, 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. Since July 2022, the Company also hedges the inter-company balance sheet positions between Gerber's legacy entities.

Forward transactions entered into by the Company to hedge significant balance sheet currency positions at December 31, 2023 and 2022 are analyzed below (hedge against the euro, unless stated otherwise):

	2023				2022			
	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	(29,131)	(26,654)	(291)	January 8, 2023	(15,675)	(14,725)	(32)	January 6, 2023
USD / CNH	6,923	6,350	86	January 8, 2023	8,725	8,180	5	January 6, 2023
CNH	39,509	5,039	17	January 8, 2023	39,310	5,286	(40)	January 6, 2023
GBP	(2,191)	(2,528)	(8)	January 8, 2023	(1,543)	(1,745)	(5)	January 6, 2023
GBP / CNH	(309)	(358)	(2)	January 8, 2023	(341)	(384)	(13)	January 6, 2023
HKD	(2,721)	(317)	(2)	January 8, 2023	(493)	(59)	0	January 6, 2023
JPY	(318,783)	(2,043)	(4)	January 9, 2023	(256,030)	(1,797)	23	January 6, 2023
Other currencies	na	(4,762)	(26)	January 8, 2023	na	(2,955)	(5)	January 5 and 6, 2023
Total		**(25,274)**	**(230)**			**(8,199)**	**(66)**	

(1) For each currency, net balance of forward sales and (purchases) against euros.

(2) Equivalent value of forward contracts at historical rates.

(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, 2023 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 a well-known, financial platform. 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 Company's foreign currency assets and liabilities, together with the net value of forward transactions unexpired at December 31, 2023 and December 31, 2022 (hedge or position against the euro, unless stated otherwise):

	2022							
(in thousands of currencies)	USD	USD/CNH	CNH	CNY	GBP	GBP/CNH	HKD	JPY
Carrying position to be hedged:								
Trade account receivables	9,281	-	-	44,551	1	-	454	-
Cash	508	-	-	-	-	-	-	-
Trade payables	(23,101)	-	-	(4,111)	(1,515)	-	-	(233,223)
Total	(13,313)	-	-	40,440	(1,514)	-	454	(233,223)
Net nominal of hedges	15,675	(8,725)	(39,310)	-	1,543	341	493	256,030
Net residual position	2,362	(8,725)	(39,310)	40,440	29	341	946	22,807
Equivalent value in euros at closing rate	2,215	(8,180)	(5,326)	5,444	32	384	114	162
Analysis of sensitivity to currency fluctuations								
Closing rate	1.07	1.07	7.38	7.43	0.89	0.89	8.32	140.66
5% currency depreciation relative to closing rate								
Closing rates parity depreciated by 5%	1.12	1.12	7.75	7.80	0.93	0.93	8.73	147.69
Foreign exchange impact in P&L	(105)	390	254	(259)	(2)	(18)	(5)	(8)
5% currency appreciation relative to closing rate								
Closing rates parity appreciated by 5%	1.01	1.01	7.01	7.06	0.84	0.84	7.90	133.63
Foreign exchange impact in P&L	117	(431)	(280)	287	2	20	6	9

	2023							
(in thousands of currencies)	USD	USD/CNH	CNH	CNY	GBP	GBP/CNH	HKD	JPY
Carrying position to be hedged:								
Trade account receivables	17,897	-	-	34,602	8		699	1,224
Cash	1,419	-	-					
Trade payables	(47,485)	-	-	(1,664)	(1,977)			(314,100)
Total	(28,169)	-	-	32,939	(1,969)	-	699	(312,876)
Net nominal of hedges	29,131	(6,923)	(39,509)	-	2,191	309	2,721	318,783
Net residual position	962	(6,923)	(39,509)	32,939	222	309	3,420	5,908
Equivalent value in euros at closing rate	871	(6,923)	(5,022)	4,209	255	309	396	38
Analysis of sensitivity to currency fluctuations								
Closing rate	1.11	1.00	7.87	7.83	0.87	1.00	8.63	156.33
5% currency depreciation relative to closing rate								
Closing rates parity depreciated by 5%	1.16	1.00	8.26	8.22	0.91	1.00	9.06	164.15
Foreign exchange impact in P&L	(41)	0	239	(200)	(12)	0	(19)	(2)
5% currency appreciation relative to closing rate								
Closing rates parity appreciated by 5%	1.05	1.00	7.47	7.44	0.83	1.00	8.20	148.51
Foreign exchange impact in P&L	46	0	(264)	222	13	0	21	2

NOTE 22 Trade and other payables

	2023	2022
Trade payables	37,378	45,283
Social liabilities	25,366	28,883
Tax liabilities	5,866	6,054
Down-payments from customers	15,228	15,585
Other current payables	4,656	3,981
Total	**88,493**	**99,786**

NOTE 23 Deferred revenues

	2023	2022
Deferred revenues on recurring contracts	90,009	83,947
Other deferred revenues(1)	4,094	4,808
Total	**94,103**	**88,755**

(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 14).

For the Group, deferred revenues correspond to contract liabilities as defined by IFRS 15.

Bridge for main contract liabilities

	2023	2022
Contract liabilities at January 1	88,755	72,971
Revenue booked during the period	(181,298)	(168,439)
Invoicing during the period	187,853	183,092
Change in scope of consolidation(1)	157	486
Exchange rate differences	(1,364)	644
Contract liabilities at December 31	**94,103**	**88,755**

(1) Integration of Glengo in 2022 and TextileGenesis in 2023, see note 2.30.

NOTE 24 Provisions

2022	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, 2022	709	2,100	687	1,288	4,785
Additional provisions	186	2,606	22	1,361	4,175
Gerber opening balance sheet revision	-	6,465	-	-	6,465
Used amounts reversed	(293)	-	-	(1,523)	(1,816)
Unused amounts reversed	(70)	(100)	-	-	(170)
Exchange rate differences	-	34	1	33	69
Provisions at December 31, 2022	**533**	**11,105**	**711**	**1,159**	**13,509**

2023	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, 2023	533	11,105	711	1,159	13,509
Additional provisions	39	4,657	20	1,009	5,725
Used amounts reversed	-	(1,747)	-	(1,373)	(3,120)
Unused amounts reversed	(93)	(6,711)	-	-	(6,804)
Exchange rate differences	-	103	(18)	(9)	76
Provisions at December 31, 2023	**479**	**7,407**	**713**	**786**	**9,386**

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, 2023.

To the Group's knowledge, there were no proceedings pending at December 31, 2023, 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 25 Additional disclosure concerning financial instruments

The Group has designated the following main categories of financial assets and liabilities:

At December 31, 2022	IFRS 9 classification: Carried at amortized cost	IFRS 9 classification: Carried at fair value through profit or loss	IFRS 9 classification: Carried at fair value through OCI	Carrying amount	Fair value
Non-consolidated shares		■		1,142	1,142
Loans, deposits and guarantees	■			4,460	4,460
Trades account receivables	■			88,185	88,185
Other financial assets	■			1,755	1,755
Derivatives not designated as hedges		■		66	66
Cash and cash equivalents		■		130,634	130,634
Total financial assets				**226,410**	**226,410**
Interest-bearing bank loans	■			119,276	119,276
Derivatives not designated as hedges		■		-	-
Trade payables and other current liabilities	■			93,732	93,732
Total financial liabilities				**213,008**	**213,008**

At December 31, 2023	IFRS 9 classification: Carried at amortized cost	IFRS 9 classification: Carried at fair value through profit or loss	IFRS 9 classification: Carried at fair value through OCI	Carrying amount	Fair value
Non-consolidated shares		■		1,088	1,088
Loans, deposits and guarantees	■			4,173	4,173
Trades account receivables	■			91,859	91,859
Other financial assets	■			634	634
Derivatives not designated as hedges		■		230	230
Cash and cash equivalents		■		115,049	115,049
Total financial assets				**213,033**	**213,033**
Interest-bearing bank loans	■			98,089	98,089
Derivatives not designated as hedges		■		-	-
Trade payables and other current liabilities	■			82,627	82,627
Total financial liabilities				**180,716**	**180,716**

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 26 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, 2023, 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)	4,484	5,851	-	**10,335**
Other guarantees: sureties (2)	1,634	297	1,532	**3,462**

(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 2023 amounted to 9,434 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 the lack of a sign represents an income or gain for the year. The acquisition of Glengo in 2022 and the acquisition of TextileGenesis in 2023 had a non-material impact on the Group's financial statements, as well as the activity takeover carried out by Lectra Suzhou, there is no need for a restatement of the income statement.

NOTE 27 Revenues

In 2023, no single customer represented more than 4% of consolidated revenues, the ten largest customers combined accounted for less than 15% of revenues, and the 20 largest customers for less than 20%.

Note 27.1 Revenues by geographic region

In 2023, as in 2022, more than 50% of total revenues were generated in 5 countries: the United States (20%), Mexico (10%) Italy (9%), China (8%), France (5%). These percentages were : 21%, 9%, 9%, 9% and 5% respectively in 2022.

	2023		2022		Changes
	Actual	%	Actual	%	2023/2022
Europe, of which:	156,202	33%	159,065	31%	-2%
- France	25,599	5%	27,185	5%	-6%
Americas	171,452	36%	189,737	36%	-10%
Asia-Pacific	109,620	23%	132,805	25%	-17%
Other countries	40,305	8%	40,326	8%	-0%
Total	**477,579**	**100%**	**521,934**	**100%**	**-8%**
€ / $ average parity	*1.08*		*1.05*		

Note 27.2 Revenues by type of business

	2023		2022		Changes
	Actual	%	Actual	%	2023/2022
Revenues from perpetual software licenses, equipment and accompanying software, and non-recurring services, of which:	**154,347**	32%	**208,845**	40%	-26%
- Perpetual software licenses	13,813	3%	18,365	4%	-25%
- Equipment and accompanying software	118,772	25%	170,220	33%	-30%
- Training and consulting services	17,260	3%	15,341	3%	+13%
- Miscellaneous	4,502	1%	4,919	1%	-8%
Recurring revenues, of which:	**323,232**	68%	**313,089**	60%	+3%
- Software subscriptions	30,381	6%	20,967	4%	+45%
- Software maintenance contracts	53,633	11%	52,852	10%	+1%
- Equipment and accompanying software maintenance contracts	97,284	21%	94,620	18%	+3%
- Consumables and parts	141,934	30%	144,651	28%	-2%
Total	**477,579**	**100%**	**521,934**	**100%**	**-8%**
€ / $ average parity	*1.08*		*1.05*		

Note 27.3 Breakdown of revenues by currency

	2023	2022
US dollar	44%	48%
Euro	36%	33%
Chinese yuan	7%	8%
British pound	2%	2%
Brazilian real	2%	1%
Japanese yen	1%	1%
Other currencies(1)	8%	7%
Total	**100%**	**100%**

(1) No other single currency represents more than 2% of total revenues.

Note 27.4 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 28 Cost of goods sold and gross profit

	2023	2022
Revenues	477,579	521,934
Cost of goods sold, of which:	(144,402)	(174,250)
Purchases and freight-in costs	(126,092)	(178,145)
Inventory movement, net	(7,815)	14,192
Industrial added value	(10,495)	(10,297)
Gross profit	**333,177**	**347,684**
(in % of revenues)	69.8%	66.6%

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 (France) and Tolland (USA) sites.

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 29 Research and development

	2023	2022
Fixed personnel costs	(46,042)	(42,247)
Variable personnel costs	(611)	(1,079)
Other operating expenses	(7,885)	(8,125)
Depreciation expenses	(1,253)	(1,412)
Total before research tax credit and grants	(55,790)	(52,863)
(in % of revenues)	11.7%	10.1%
Research tax credit and government grants	4,489	7,053
Total	**(51,301)**	**(45,810)**

NOTE 30 Selling, general and administrative expenses

	2023	2022
Fixed personnel costs	(137,175)	(135,379)
Variable personnel costs	(11,913)	(15,938)
Other operating expenses	(54,368)	(53,890)
Depreciation & amortization (tangible & intangible assets)	(19,246)	(17,781)
Depreciation of right-of-use assets	(9,467)	(9,727)
Net provisions	(655)	(674)
Total[1]	**(232,824)**	**(233,389)**
(in % of revenues)	48.8%	44.7%

(1) 'Selling, general and administrative expenses' do not include the expenses comprised in cost of goods sold, in 'Industrial added value' (see note 28), which amounted to 10,495 thousand euros in 2023 and 10,297 thousand euros in 2022.

Fees paid to Group auditors and companies in their networks

In 2023, other operating expenses comprised 1,544 thousand euros in respect of the audit of all Group companies, of which 723 thousand euros for PwC, 587 thousand euros for KPMG and 234 thousand euros for other audit firms. The corresponding amount in 2022 was 1,471 thousand euros.

Fees paid by the Group in 2023 to the Statutory Auditors in respect of the audit and non-audit services performed by their networks to consolidated entities were 1,405 thousand euros, of which 789 thousand euros for PwC and 616 thousand euros for KPMG:

	PwC				KPMG			
	2023		2022		2023		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
Audit								
Statutory audits, certification and examination of individuals and consolidated financial statements								
- Issuer (Lectra SA)	215	27%	219	26%	227	37%	202	34%
- Fully-consolidated subsidiaries	508	64%	519	62%	360	58%	367	62%
Non-audit services								
- Issuer (Lectra SA)[1]	33	4%	30	4%	2	0%	5	1%
- Fully-consolidated subsidiaries	5	1%	1	0%	14	2%	-	0%
Sub-total	761	96%	769	92%	603	98%	574	98%
Other services to consolidated entities								
- Legal, tax and social reviews [2]	28	4%	64	8%	13	2%	14	2%
Sub-total	28	4%	64	8%	13	2%	14	2%
Total	**789**	**100%**	**833**	**100%**	**616**	**100%**	**588**	**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 31 Staff

Note 31.1 Total personnel expenses

The table below combines all fixed and variable personnel costs for the Group.

	2023	2022
Research and development	(46,652)	(43,326)
Selling, general and administrative	(149,088)	(151,317)
Manufacturing, logistics and purchasing[1]	(7,822)	(7,907)
Total	**(203,562)**	**(202,551)**

(1) Manufacturing, logistics and purchasing' personnel expenses are included in the cost of goods sold, in 'Industrial added value' (see note 28).

Note 31.2 Active headcount at december 31

Since 2019, the Group presents the active headcount.

	2023	2022
Parent company[1]	909	854
Subsidiaries[2], of which:	1,631	1,673
Europe	674	716
Americas	460	488
Asia-Pacific	443	413
Other countries	54	56
Total	**2,540**	**2,527**

(1) In 2023 as in 2022, 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

	2023	2022
Marketing, Sales	414	435
Services (Business Consultants and Solutions Experts, Call Centers, Technical Maintenance)	828	867
Research and Development	586	500
Purchasing, Production, Logistics	266	255
Administration, Finance, Human Resources, Information Systems	446	470
Total	**2,540**	**2,527**

Note 31.3 Contributions to pension plans

Contributions to compulsory or contractual pension plans are expensed in the year in which they are paid.

In 2023, Group companies subject to defined-contribution pension plans booked a sum of 8,647 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 31.4 Employee profit-sharing and incentive plan

Profit-sharing plan

An amendment to the October 1984 employee profit-sharing plan (*participation*), applicable solely to the 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 six types of funds, one consisting exclusively of Lectra shares, at their discretion.

In 2024, a profit-sharing in the amount of 420 thousand euros will be paid out, in respect of fiscal year 2023 (a profit-sharing payment of 2,340 thousand euros was made in 2023, in respect of fiscal year 2022).

Incentive plan

A collective employee incentive plan (*intéressement*), applicable solely to the Company employees, was signed for the first time in September 1984 and renewed periodically since that date. The most recent incentive plan signed in June 2023 covers the period 2023–2025.

The incentive amount in respect of fiscal 2023 equals 271 thousand euros. In 2023, no incentive payment was made for the fiscal year 2022.

The incentive amount in respect of fiscal 2023 equals 691 thousand euros (2340 thousand euros in respect of 2022).

Note 31.5 Compensation of Group management

The Group management team now counts 16 people at December 31, 2023.

Personnel expenses related to the Group management team, accounted for in 2023, amounted to 5,624 thousand euros (5,776 thousand euros in 2022) and broke down as follows:

	2023	2022
Fixed compensation	3,854	3,590
Variable compensation	613	1,224
Other short-term benefits	336	364
Post-employment benefits(1)	28	20
Other long-term benefits	-	-
Severance compensation	180	100
Granting of stock options(1)	613	478
Personnel expenses related to the Group management team	**5,624**	**5,776**

(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 31.6 Directors'fees

Conditional upon approval by the Shareholders' Meeting on April 26, 2024, 460 thousand euros in Directors' fees will be allocated to the members of the Board with respect to fiscal 2023 (431 thousand euros for fiscal 2022).

Compensation paid to the Directors still holding office and who are not company officers consists exclusively of Directors' fees.

NOTE 32 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:

	2023	2022
Research and development(1)	(1,253)	(1,412)
Selling, general and administrative	(5,620)	(5,991)
Manufacturing, logistics and purchasing(2)	(979)	(962)
Amortization of intangibles identified in business combinations	(12,646)	(11,790)
Depreciation of right-of-use assets	(9,467)	(9,727)
Total	**(29,966)**	**(29,882)**

(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 cost of goods sold, in 'Industrial added value' (see note 28).

NOTE 33 Non-recurring elements

In 2022 and 2023, the Group recorded non-recurring elements in its income statement.

Non-recurring income corresponds for 2,638 thousand euros to the unused portion of a provision reversed in the second quarter of 2023, after the agreement reached on a tax dispute following the acquisition of Gerber, and for 2,536 thousand euros to unused reversals of tax risk provisions also following the acquisition of Gerber and now expired. Non-recurring expenses correspond for 4,600 thousand euros to an additional tax risk provision related to ongoing discussions with the French tax administration (see note 15), and for 1,177 thousand euros to costs related to acquisitions in 2023.

In 2022, non-recurring expenses also include the impairment of the Group's net assets in Russia, for an amount of 864 thousand euros expenses relating to the acquisition of Gerber, including fees and other costs associated with the acquisition, as well as severance costs (directly related to the integration of Gerber) for a very limited number of people. The Group had also recorded a provision for risk of 2,000 thousand euros, taking into account the proposition of rectification from the French administration concerning the Lectra SA research tax credit for 2018 and 2019.

NOTE 34 Financial income and expenses

	2023	2022
Financial income, of which:	3,098	958
Gains on sales of cash equivalents	1,666	137
Other interest income	1,432	772
Reversal of provisions for depreciation of investments and loans	-	50
Financial expenses, of which:	(5,936)	(4,611)
Bank charges	(993)	(1,211)
Interest expense on bank loans and financial debts	(4,330)	(1,695)
Interest on lease labilities (IFRS 16)	(541)	(528)
Other financial expenses(1)	(72)	(1,177)
Total	**(2,838)**	**(3,653)**

(1) This line chiefly includes, for 2022, the discounting of the French research and development tax credit of Lectra SA (see note 15).

NOTE 35 Foreign exchange income

A foreign exchange translation loss of 1,644 thousand euros was recognized in 2023 (1,843 thousand euros in 2022).

At December 31, 2023, as at December 31, 2022, the Company held no currency options (see note 21.4).

NOTE 36 Shares used to compute earnings per share

At December 31, 2023 and 2022, the Company had not issued any dilutive instrument other than the stock options detailed in note 16.5.

Basic earnings (Group share) per share	2023	2022
Net income, Group share (in thousands of euros)	33,904	44,386
Weighted average number of shares outstanding during the period(1)	37,828,217	37,771,671
Weighted average number of treasury shares held during the period	(34,034)	(22,921)
Weighted average number of shares used to compute basic earnings per share	37,794,184	37,748,750
Basic earnings per share (in euros)	**0.90**	**1.18**

(1) In 2023, 44,016 stock options were exercised, giving rise to the creation of 44,016 new shares. In 2022, 45,990 stock options were exercised, giving rise to the creation of 45,990 new shares (see note 16).

Diluted earnings (Group share) per share	2023	2022
Net income, Group share (in thousands of euros)	33,904	44,386
Weighted average number of shares outstanding during the period(1)	37,828,217	37,771,671
Weighted average number of treasury shares held during the period	(34,034)	(22,921)
Dilutive effect of stock options, under the share repurchase method(2)	340,704	452,060
Weighted average number of shares used to compute diluted earnings per share	38,134,888	38,200,810
Diluted earnings per share (in euros)	**0.89**	**1.16**

(1) In 2023, 44,016 stock options were exercised, giving rise to the creation of 44,016 new shares. In 2022, 45,990 stock options were exercised, giving rise to the creation of 45,990 new shares (see note 16).

(2) In 2023, due to an average share price of €31.53 during the period, the dilutive effect of stock options under the share repurchase method resulted in 340,704 theoretical additional shares (452,060 theoretical additional shares in 2022 due to an average share price of €35.84).

NOTE 37 Group exposure to foreign-exchange fluctuations

The Group'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, following the euro.

The overall currency variations between 2022 and 2023 decrease 2023 Group revenues by 11.2 million euros. The US dollar (average parity versus the euro of €1/$1.08 in 2023, compared to €1/$1.05 in 2022) accounted for a decrease of 5,7 million euros in revenues in the 2023 figures at actual exchange rates, relative to the 2023 figures at 2022 exchange rates.

In 2023, 36% of the Group's consolidated revenues, 55% of its cost of sales, and 51% of its overhead expenses were denominated in euros. These percentages were respectively 44%, 30%, and 29% for the US dollar, as well as 7% (part of the revenues generated in China are denominated in US dollars or other currencies), 7% and 6% for the Chinese yuan. The other currencies each represented less than 2% 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, 2023 exchange rates for the relevant currencies, in particular €1/$1.10.

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/$1.05) would mechanically increase 2024 annual revenues by approximately 11.0 million euros and annual EBITDA before non-recurring items by 4.5 million euros. Conversely, a 5-cent appreciation of the euro against the US dollar (i.e., €1/$1.15) would mechanically reduce annual revenues and EBITDA before non-recurring items by the same amounts.

NOTE 38 Operating segments information

2023	Northern Europe (1)	Southern Europe (2)	Americas	Asia-Pacific	Corporate	Total
Revenues	92,143	104,365	171,452	109,620	-	477,579
EBITDA before non-recurring items	10,242	19,312	9,908	6,259	33,298	79,018

2022	Northern Europe (1)	Southern Europe (2)	Americas	Asia-Pacific	Corporate	Total
Revenues	94,425	104,995	189,737	132,777	-	521,934
EBITDA before non-recurring items	10,528	18,788	8,384	10,834	49,833	98,367

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

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

Starting from January 1st, 2024, the Group and its Executive Committee will no longer track information separately between Northern Europe and Southern Europe regions as presented here above, but rather through a single commercial region "Europe".

Thus, for the fiscal year 2023, if this tracking had been applied as of January 1st, 2023, the presentation of the operational sectors would have been as follows.

2023	Europe	Americas	Asia-Pacific	Corporate	Total
Revenues	196,508	171,452	109,620	-	477,579
EBITDA before non-recurring items	29,553	9,908	6,259	33,298	79,018

Notes to the statement of cash flows consolidated

NOTE 39 Non-cash operating expenses

In 2023, as in 2022, '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), the discounting of the research tax credit receivable (see note 15), 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.

NOTE 40 Changes in working capital requirement

In 2023, the main changes in the working capital requirement broke down as follows:

- +7,528 thousand euros coming from the reduction in trade payables, linked to the slowdown in activity;
- +4,451 thousand euros arising from the payment of the variable portion of salaries for the Group in respect of fiscal year 2022 paid mainly in 2023, net from the accrual recognized in 2023 that will be paid in 2024;
- −1,949 thousand euros corresponding to the decrease in trade accounts receivable (the variation in trade accounts receivable shown in the consolidated statement of cash flows includes 'Deferred revenues' in the statement of financial position, which for the most part comprises the share of recurring contracts billed but not yet recognized in revenue);
- −3,487 thousand euros from the 2019 research tax credit collected in Q3 2023;
- −5,631 thousand euros corresponding to the decrease in inventories;
- −343 thousand euros arising from the changes in other current assets and liabilities; taken individually, these changes are all immaterial.

In 2022, the main changes in the working capital requirement broke down as follows:

- +15,251 thousand euros corresponding to the increase in inventories, following greater procurement previsions to face the tensions and global shortages in raw materials, and the transfer of some of Gerber's former distributors' activities directly to the Group's subsidiaries;
- +7,022 thousand euros arising from the difference between the variable portion of salaries for the Group in respect of fiscal year 2021 paid mainly in 2022, and the one recognized in 2022 that will be paid in 2023;
- −4,681 thousand euros arising from the decrease in trade receivables;
- +2,539 thousand euros arising from the decrease in deposits received for customer orders;
- +1,329 thousand euros arising from the decrease in trade accounts payable;
- −536 thousand euros arising from the changes in other current assets and liabilities; taken individually, these changes are all immaterial.

NOTE 41 Variation of long-term and short-term borrowings

In 2021, the Group took out a 140-million bank loan, as described in note 21. This amount, netted off with related fees, was shown on the consolidated cash-flow statement for 2021. Two instalments of 21,000 thousand euros each was repaid on June 1, 2022 and then June 1, 2023

Moreover, the Group paid out 4,504 thousand euros in 2023 and 794 thousand euros in 2022 as interest for this loan.

NOTE 42 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.

	2023	2022
Net cash (used in)/provided by operating activities	59,572	57,787
Net cash (used in)/provided by investing activities, excluding cash used for acquisition of companies	(6,568)	(7,315)
Repayment of lease liabilities	(10,579)	(10,157)
Free cash flow	42,425	40,315
Non-recurring items included in free cash flow	(2,920)	(3,405)
Free cash flow before non-recurring items	45,345	43,720

In 2023, net cash provided by operating activities (59,572 thousand euros) included a 569 thousand euro increase in working capital (increase of 20,924 thousand euros in 2022) and a decrease in other non-recurring operating assets of 681 thousand euros (corresponding to the deduction of research tax credits from previous years against the tax payable of Lectra SA for fiscal year 2023, the 2023 research tax credit having been fully deducted).

Details of changes in working capital requirement are provided in note 40 above.

Free cash flow was 42,425 thousand euros (40,315 thousand euros in 2022) and included 2,920 thousand euros of non-recurring cash-outs (3,405 thousand euros in 2022); thus free-cash flow before non-recurring items amounted to 45,345 thousand euros (43,720 thousand euros in 2022).

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.

Statutory Auditors' report on the consolidated financial statements

(For the year ended December 31, 2023)

LECTRA S.A.
16-18, rue Chalgrin
75016 PARIS

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, 2023.

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, 2023 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 engagement in compliance 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 "Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements" section of our report.

Independence
We conducted our audit engagement in compliance with independence requirements of 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, 2023 to the date of our report, and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014.

Justification of assessments – Key audit matters

In accordance with the requirements of Articles L. 821-53 and R. 821-180 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon. 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 27 to the consolidated financial statements)

<u>Description of risk</u>
The Group designs, produces and distributes complete and integrated technology solutions (automated cutting equipment and software) as well as associated support services, such as technical maintenance, remote support, training, consulting, and sales of consumables and parts.

In 2023, the Group's revenues amounted to €477.6 million. Most sales of automatic cutting equipment and their on-board software, known as "pilots", 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;
- the seasonal nature of sales, with a peak in activity at the end of each quarter;
- transportation times that can vary from several days to several weeks depending on the destination.

<u>Audit procedures performed to address this risk</u>
Our work primarily involved:

- updating our understanding of the process involved in accounting for different sales flows;
- assessing internal control procedures, identifying the most relevant manual controls for our audit and testing their design and operational effectiveness;
- identifying and testing, with the help of our IT specialists, the design and 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 and their on-board software, around the 2023 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 27 to the consolidated financial statements.

Measurement of goodwill

(Notes 2.3, 2.7 and 6 to the consolidated financial statements)

<u>Description of risk</u>
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 the notes 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 €297.3 million was recorded in the balance sheet in 2023 (versus €292.6 million in 2022), 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 6 to the consolidated financial statements.

We considered the valuation of goodwill to be a key audit issue due to:
- their material amount in the financial statements (37% of total assets at December 31, 2023)
- the judgment required from management in terms of determining the perpetual growth rate and discount rates applied to projected cash flows.

<u>Audit procedures performed to address this risk</u>
We reviewed the compliance of the methodology applied by the Group with applicable accounting standards.

We also conducted a critical review of the procedure for implementing the methodology described in the notes to the consolidated financial statements by carrying out the following procedures:
- assessing the consistency of methods and the allocation of CGUs;
- 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;
- verifying the reliability of the estimates process by examining the reasons for differences between forecasts made in previous years and 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;
- 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 6 to the consolidated financial statements;
- assessing the appropriateness of the disclosures provided in Notes 2.3, 2.7 and 6 to the consolidated financial statements.

Our work was carried out with the support of our firms' valuation specialists.

Specific verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations of the Group's information given in the management report of the Board of Directors.

We have no matters to report as to their fair presentation and their consistency with the consolidated financial statements.

We attest that the consolidated non-financial statements required by Article L. 225-102-1 of the French Commercial Code (*Code de commerce*) is included in the Group's information given in the management report, it being specified that, in accordance with Article L. 823-10 of this Code, we have verified neither the fair presentation nor the consistency with the consolidated financial statements of the information contained therein. This information should be reported on by an independent third party.

Report on Other Legal and Regulatory Requirements

Format of presentation of the consolidated financial statements intended to be included in the annual financial report
We have also verified, in accordance with the professional standard applicable in France relating to the procedures performed by the Statutory Auditors relating to the annual and consolidated financial statements presented in the European single electronic format, that the presentation of the consolidated financial statements intended to be included in the annual financial report mentioned in Article L.451-1-2 of the French Monetary and Financial Code (*Code monétaire et financier*), prepared under the responsibility of the Chief Executive Officer and the Chief Financial Officer, complies with the single electronic format defined in the European Delegated Regulation No. 2019/815 of December 17, 2018. As it relates to consolidated financial statements, our work includes verifying that the tagging of these consolidated financial statements complies with the format defined in the above delegated regulation.

Based on the work we have performed, we conclude that the presentation of the consolidated financial statements intended to be included in the annual financial report complies, in all material respects, with the European single electronic format.

Due to the technical limitations inherent to the block-tagging of the consolidated financial statements according to the European single electronic format, the content of certain tags of the notes may not be rendered identically to the accompanying consolidated financial statements.

Besides, we have no responsibility to verify that the consolidated financial statements that will ultimately be included by your Company in the annual financial report filed with the AMF are in agreement with those on which we have performed our work.

Appointment of the Statutory Auditors

We were appointed as Statutory Auditors of Lectra S.A. by the Annual General Meetings held on June 28, 1990 for PricewaterhouseCoopers Audit and May 22, 1996 for KPMG S.A.

As at December 31, 2023, PricewaterhouseCoopers Audit and KPMG S.A. were in the 34th year and the 28th year of total uninterrupted engagement respectively.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to unable the preparation of consolidated financial statements that are free from 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 is expected 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 risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for 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 from 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 of users taken on the basis of these consolidated financial statements.

As specified in Article L. 821-55 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditor exercises professional judgment throughout the audit and furthermore:

- identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his 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;
- obtains an understanding of internal control 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;
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements;
- assesses 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 this audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the Statutory Auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to issue a qualified opinion or a disclaimer of opinion;
- evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtains 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 Auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

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, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore 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 such as they are set in particular by Articles L. 821-27 to L. 821-34 of the French Commercial Code (Code de commerce) and in the French Code of Ethics (Code de déontologie) for Statutory Auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear our independence, and the related safeguards.

Neuilly-sur-Seine and Mérignac, March 1st, 2024

PricewaterhouseCoopers Audit	KPMG SA
Flora Camp	Aurélie Lalanne

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PEOPLE RESPONSIBLE FOR THE ANNUAL FINANCIAL REPORT AND AUDITING THE FINANCIAL STATEMENTS

SUMMARY

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 32 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, 2024

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 92 208 - Neuilly sur Seine Cedex	Represented by Aurélie Lalanne Domaine Pelus 11, rue Archimède 33 692 - 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

We pioneer. You lead.

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Our web site:

www.lectra.com

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