LECTRA

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS FOR FIRST QUARTER 2024

Dear Shareholders,

We report below on Lectra group's (the "Group") business activity and consolidated financial statements for the first quarter ending March 31, 2024. These financial statements include those of Launchmetrics, which have been consolidated since January 23, 2024.

To facilitate the analysis of the Group's results in its new scope (the "Lectra 2024 Scope"), the accounts of Lectra excluding Launchmetrics (the "Lectra 2023 scope") and those of Launchmetrics are analyzed separately. Unless otherwise specified, the detailed 2024 vs 2023 comparisons for Lectra 2024 scope and for Launchmetrics results are based on actual exchange rates, whereas the results for the "Lectra 2023 scope" are stated on a like-for-like basis.

Orders are reported using two indicators: on the one hand, orders for new systems, which include 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, new software subscriptions, measuring the annual value of new SaaS contracts (Software-as-a-Service).

The detailed tables of orders for new systems, of revenues, and of the income statements for the first quarter are provided in the additional information of this report, starting on page 6.

1. RESULTS OF OPERATIONS FOR Q1 2024

Lectra 2024 scope

The macroeconomic environment remained highly challenging in the first quarter, with limited visibility and an extremely heterogeneous situation across markets.

Q1 2024 revenues amounted to 129.6 million euros, up 5% compared to Q1 2023, with the following breakdown: 38.7 million euros in revenues from new systems (30% of total revenues); and 90.8 million in recurring revenues (70% of total revenues) including 16.5 million in subscriptions for software (13% of total revenues).

EBITDA before non-recurring items totaled 21.1 million euros, up 7%, and the EBITDA margin before non-recurring items was 16.3%.

Launchmetrics contributed 8.3 million euros to revenues and 1.1 million euros to EBITDA before non-recurring items (representing an EBITDA margin before non-recurring items of 13.2%).

Income from operations before non-recurring items amounted to 11.2 million euros (12.1 million euros in Q1 2023), down 8%. This included a 5.2 million euros charge for amortization of intangible assets arising from the acquisitions carried out since 2021, of which 2.0 million euros for Launchmetrics.

After a non-recurring charge of 0.2 million euros, income from operations in Q1 came to 11.0 million euros, down 9% compared the year before.

Net financial income and expenses represented a net charge of 1.6 million euros. Foreign exchange gains and losses generated a net loss of 0.4 million euros. After an income tax expense of 2.3 million euros, net income amounted to 6.7 million euros (-9% at actual exchange rates relative to Q1 2023). Net earnings per share were €0.19 on basic capital and on diluted capital (€0.20 on basic capital and diluted capital in Q1 2023).

Revenues and income in Q1 are in line with the Group's roadmap, which recognized the positive impact of the order backlog at January 1, 2023, and therefore the higher comparable figured recorded in Q1 2023.

A particularly high current free cash flow

Free cash flow before non-recurring items came to 22.0 million euros (9.2 million euros in Q1 2023). After disbursement of 1.2 million euros in respect of non-recurring expenses, free cash-flow came to 20.8 million euros, due to a higher level of advance payment than in the first quarter of 2023 and the contribution of free cash flow from Launchmetrics.

A still very robust balance sheet, after the Launchmetrics acquisition

At March 31, 2024, the Group had a particularly robust balance sheet with a consolidated shareholders' equity of 341.6 million euros and a net financial debt of 18.8 million euros. The cash position consisted in financial debt of 119.3 million euros and cash of 100.5 million euros, after payment of 39.3 million euros in respect of the first tranche of the acquisition of Launchmetrics, or roughly half the total amount (the balance of this first tranche will be paid in June 2024).

The working capital requirement, related to the regular activity at March 31, 2024 was a negative 5.9 million euros, this is one of the key characteristics of Lectra's business model.

Lectra 2023 scope

With an average exchange rate of $1.09/€1 in Q1, the dollar declined by 1% compared to Q1 2023 and the yuan declined by 6% against the euro. Currency changes mechanically decreased revenues by 1.4 million euros (-1%) and EBITDA before non-recurring items by 0.7 million euros (-3%) at actual exchange rates, compared to like-for-like figures.

New system orders

Q1 2024 orders reflect a mixed picture, with a high level in the automotive market in Asia, in particular due to the increased number of airbags per vehicle, and a low level in the other market sectors or geographies.

Orders for new systems (35.4 million euros) were up 0.3%. Orders for perpetual software licenses (3.5 million euros), equipment and accompanying software (27.4 million euros) and training and consulting (3.7 million euros) evolved by -4%, +3% and -3% respectively.

The annual value of orders for new software subscriptions came to 2.4 million euros, decreasing by 0.2 million euros compared to 2023.

Revenue

Revenues in Q1 2024 came to 121.3 million euros, a 1% decline from the same period a year before. Recurring revenues continued to grow (+5%) whereas revenues from new systems, which had benefited from the high level of new system orders in Q4 2022, were 12% lower than a year before.

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

Revenues from new systems (38.2 million euros) were down 12%. This item contributed 31% of revenues (35% in 2023), and included mainly:

- perpetual software licenses (4,0 million euros), which decreased by 2% and accounted for 3% of revenues, like in 2023;
- equipment and accompanying software (28.9 million euros), which decreased by 13% and accounted for 23% of revenues (27% in 2023);
- training and consulting (4.5 million euros), which decreased by 3% and accounted for 4% of

revenues, like in 2023.

At March 31, 2024, the order backlog for new systems amounted to 32.6 million euros, down by 2.6 million euros compared to December 31, 2023, at actual exchange rates.

Revenues from recurring contracts, consumables and parts

Revenues from recurring contracts, which represented 40% of revenues (36% in 2023), amounted to 47.4 million euros, a 9% increase:

- software subscriptions (8.8 million euros), up 33%, represented 7% of revenues (5% in 2023);
- software maintenance contracts (13.4 million euros), up 1%, represented 11% of revenues, like in 2023;
- equipment and accompanying software maintenance contracts (25.2 million euros), up 7%, represented 22% of revenues (19% in 2023).

In parallel, revenues from consumables and parts (35.7 million euros) were up 1% and represented 29% of revenues, like in 2023.

Overall, recurring revenues (83.1 million euros) were up 5%.

Gross profit

Gross profit amounted to 84.3 million euros, up 1% compared to 2023.

The gross profit margin came to 69.5%, up 1.1 point.

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

Overhead costs

Overhead costs were 71.9 million euros, down 0.4% compared to 2023. The breakdown is as follows:

- 66.4 million euros in fixed overhead costs, down by 1% compared to 2023;
- 5.5 million euros in variable costs, +14% compared to 2023.

Research and development costs (14.9 million euros), which are fully expensed in the period and included in fixed overhead costs, represented 12.3% of revenues (13.6 million euros and 11.0% of revenues in Q1 2023). After deducting the research tax credit applicable in France and grants received, net research and development costs totaled 13.6 million euros (12.7 million euros in 2023).

EBITDA before non-recurring items

EBITDA before non-recurring items totaled 20.0 million euros, up 5% (+1% at actual exchange rates) and the EBITDA margin before non-recurring items was 16.5%, up 0.8 percentage points (0.5 percentage points at actual exchange rates).

2. SHARE CAPITAL – OWNERSHIP – SHARE PRICE PERFORMANCE

Change in share capital

At March 31, 2024, the share capital came to €37,868,178, divided into 37,868,178 shares with a par value of €1.00. Share capital increased by €35,213 (with a total share premium of €475,376) due to the creation of 35,213 shares since January 1, 2024, resulting from the exercise of stock options.

Main shareholders

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.

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.

Treasury shares

At March 31, 2024, the Company held 0.07% of its own shares in treasury shares, within the framework of the liquidity agreement contracted with Natixis ODDO BHF.

Share price performance and trading volumes

The Company's share price at March 29, 2024 was €32.35, up 3.5% compared to December 29, 2023 (€31.25). During Q1, it reached a low of €28.60 on January 10 and a high of €35.20 on February 16.

The market capitalization amounted to 1.22 billion euros at March 31, 2024 (1.18 billion euros at December 31, 2023).

For the first three months of 2024, the SBF 120 index, of which the Company has been a member since September 15, 2023, increased by 8%.

According to Bloomberg, 5.4 million shares were traded on all platforms in Q1 2024 (6.1 million in Q1 2023), including 22% on Euronext.

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

3. SIGNIFICANT POST-CLOSING EVENTS SINCE MARCH 31, 2024

No significant event has occurred.

4. FINANCIAL CALENDAR

The 2023 Annual Financial Report was published on Lectra's website on March 29, 2024.

The Annual Shareholders' Meeting will be held on April 26, 2024, in the Company's offices.

The first-half 2024 financial results will be published on July 25, 2024, after the close of trading on Euronext.

5. BUSINESS TRENDS AND OUTLOOK

In its financial report on the fourth quarter and full year 2023, published February 14, 2024, Lectra reiterated its long-term vision, as well as the objectives of its 2023-2025 strategic roadmap.

The Group also stated that while the substantial improvement in the fundamentals of the Group's business model in 2023 would have a positive impact on 2024 results, persistent macroeconomic and geopolitical uncertainties could continue to weigh on investment decisions by its customers.

While business in Q1 remained subdued, the increase in EBITDA – which exceeded growth in revenues -- confirms the improved fundamentals of the Group's business model.

2024 financial objectives confirmed

On February 14, the Group reported its objectives for 2024, before including the Launchmetrics acquisition (i.e. 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 Group also reported that Launchmetrics revenues (for the consolidation period from January 23 to December 31, 2024) were projected to be in the range of 42 to 46 million euros, with an EBITDA margin before non-recurring items of more than 15%.

These scenarios were prepared on the basis of the closing exchange rates on December 29, 2023, and particularly $1.10/€1.

The results for Q1 2024 are in line with this outlook.

The Board of Directors
April 24, 2024

ADDITIONAL INFORMATION – FIRST QUARTER 2024

LECTRA 2024 SCOPE

(including Launchmetrics since January 23rd 2024)

BREAKDOWN OF REVENUES – ACTUAL

Revenues by type of business (in thousands of euros)	Three Months Ended March 31 – 2024: Lectra 2023 scope	%	Launchmetrics[1]	%	Lectra 2024 scope	%	2023: Lectra 2023 scope	Changes 2024/2023: Actual
Revenues from perpetual software licenses, equipment and accompanying software, and non-recurring services, of which:	38,150	31%	590	7%	38,740	30%	43,757	-11%
- Perpetual software licenses	3,963	3%	-		3,963	3%	4,085	-3%
- Equipment and accompanying software	28,886	24%	-		28,886	22%	33,764	-14%
- Training and consulting services	4,485	4%	197	2%	4,682	4%	4,687	0%
- Miscellaneous	816	1%	393	5%	1,209	1%	1,221	-1%
Recurring revenues, of which:	83,143	69%	7,681	93%	90,823	70%	79,896	14%
- Software subscriptions	8,809	7%	7,681	93%	16,490	13%	6,677	147%
- Software maintenance contracts	13,416	11%	-		13,416	10%	13,415	0%
- Equipment and accompanying software maintenance contracts	25,182	21%	-		25,181	19%	23,889	5%
- Consumables and parts	35,736	29%	-		35,736	28%	35,915	0%
Total	121,292	100%	8,271	100%	129,563	100%	123,653	5%
€ / $ average parity	*1.09*		*1.09*		*1.09*		*1.07*	

(1) As of January 23rd 2024

CONSOLIDATED INCOME STATEMENT – ACTUAL

(in thousands of euros)	Three months ended March 31 – 2024: Lectra 2023 scope	Launchmetrics[1]	Lectra 2024 scope	2023: Actual	Changes 2024/2023: Like-for-like
Revenues	121,292	8,271	129,563	123,653	+5%
Cost of goods sold	(36,991)	(378)	(37,368)	(38,891)	-4%
Gross profit	84,302	7,893	92,195	84,762	+9%
(in % of revenues)	69.5%	95.4%	71.2%	68.5%	+2.7 points
Research and development	(13,562)	(1,159)	(14,721)	(12,670)	+16%
Selling, general and administrative expenses	(58,327)	(7,935)	(66,262)	(59,962)	+11%
Income from operations before non-recurring items	12,412	(1,201)	11,212	12,130	-8%
(in % of revenues)	10.2%	-14.5%	8.7%	9.8%	-1.1 points
Non-recurring expenses	(232)	-	(232)	-	na
Income from operations	12,180	(1,201)	10,979	12,130	-9%
(in % of revenues)	10.0%	-14.5%	8.5%	9.8%	-1.3 points
Income before tax	10,363	(1,372)	8,992	10,298	-13%
Income tax	(2,777)	491	(2,286)	(2,961)	-23%
Net income	7,586	(881)	6,706	7,337	-9%
of which, Group share	7,614	(442)	7,172	7,627	-6%
of which, Non-controlling interests	(28)	(439)	(466)	(290)	61%
Income from operations before non-recurring items	12,412	(1,201)	11,212	12,130	-8%
+ Net depreciation and amortization of non-current assets	7,563	2,294	9,857	7,613	+29%
EBITDA before non-recurring items	19,975	1,093	21,069	19,744	+7%
(in % of revenues)	16.5%	13.2%	16.3%	16.0%	+0.3 points
€ / $ average parity	*1.09*	*1.09*	*1.09*	*1.07*	

(1) As of January 23rd 2024

ADDITIONAL INFORMATION – FIRST QUARTER 2024

LECTRA 2023 SCOPE

ORDERS FOR NEW SYSTEMS – LIKE-FOR-LIKE

Perpetual software licenses, equipment and accompanying software and non-recurring services	Three Months Ended March 31						
	2024			2023		Changes 2024/2023	
(in thousands of euros)	Actual	%	At 2023 exchange rates	Actual	%	Actual exchange rates	Like-for-like
Perpetual software licenses	3,523	10%	3,558	3,691	10%	-5%	-4%
Equipment and accompanying software	27,400	79%	27,672	26,923	76%	+2%	+3%
Training and consulting services	3,677	10%	3,712	3,821	11%	-4%	-3%
Miscellaneous	816	2%	823	1,221	3%	-33%	-33%
Total	35,416	100%	35,765	35,658	100%	-1%	0%
€ / $ average parity	*1.09*		*1.07*	*1.07*			

New software subscriptions	Three Months Ended March 31						
	2024			2023		Changes 2024/2023	
(in thousands of euros)	Actual	%	At 2023 exchange rates	Actual	%	Actual exchange rates	Like-for-like
Annual value of new software subscriptions	2,412	na	2,436	2,667	na	-10%	-9%
€ / $ average parity	*1.09*		*1.07*	*1.07*			

BREAKDOWN OF REVENUES – LIKE-FOR-LIKE (1)

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

Revenues by region	Three Months Ended March 31						
	2024			2023		Changes 2024/2023	
(in thousands of euros)	Actual	%	At 2023 exchange rates	Actual	%	Actual exchange rates	Like-for-like
Europe, of which:	37,870	31%	37,800	40,001	32%	-5%	-6%
- France	6,133	5%	6,134	6,640	5%	-8%	-8%
Americas	42,772	35%	43,292	45,552	37%	-6%	-5%
Asia-Pacific	29,421	24%	30,279	29,170	24%	+1%	+4%
Other countries	11,229	9%	11,298	8,930	7%	+26%	+27%
Total	121,292	100%	122,669	123,653	100%	-2%	-1%
€ / $ average parity	*1.09*		*1.07*	*1.07*			

Revenues by type of business	Three Months Ended March 31						
	2024			2023		Changes 2024/2023	
(in thousands of euros)	Actual	%	At 2023 exchange rates	Actual	%	Actual exchange rates	Like-for-like
Revenues from perpetual software licenses, equipment and accompanying software, and non-recurring services, of which:	38,150	31%	38,607	43,757	35%	-13%	-12%
- Perpetual software licenses	3,963	3%	4,004	4,085	3%	-3%	-2%
- Equipment and accompanying software	28,886	23%	29,231	33,764	27%	-14%	-13%
- Training and consulting services	4,485	4%	4,549	4,687	4%	-4%	-3%
- Miscellaneous	816	1%	823	1,221	1%	-33%	-33%
Recurring revenues, of which:	83,143	69%	84,062	79,896	65%	+4%	+5%
- Software subscriptions	8,809	7%	8,881	6,677	5%	+32%	+33%
- Software maintenance contracts	13,416	11%	13,513	13,415	11%	0%	+1%
- Equipment and accompanying software maintenance contracts	25,182	22%	25,532	23,889	19%	+5%	+7%
- Consumables and parts	35,736	29%	36,136	35,915	29%	0%	+1%
Total	121,292	100%	122,669	123,653	100%	-2%	-1%
€ / $ average parity	*1.09*		*1.07*	*1.07*			

ADDITIONAL INFORMATION – FIRST QUARTER 2024

LECTRA 2023 SCOPE

CONSOLIDATED INCOME STATEMENT – LIKE-FOR-LIKE

	Three months ended March 31				
	2024		2023	Changes 2024/2023	
(in thousands of euros)	Actual	At 2023 exchange rates	Actual	Actual exchange rates	Like-for-like
Revenues	121,292	122,669	123,653	-2%	-1%
Cost of goods sold	(36,991)	(37,290)	(38,891)	-5%	-4%
Gross profit	84,302	85,379	84,762	-1%	+1%
(in % of revenues)	69.5%	69.6%	68.5%	+1.0 point	+1.1 points
Research and development	(13,562)	(13,622)	(12,670)	+7%	+8%
Selling, general and administrative expenses	(58,327)	(58,749)	(59,962)	-3%	-2%
Income from operations before non-recurring items	12,412	13,008	12,130	+2%	+7%
(in % of revenues)	10.2%	10.6%	9.8%	+0.4 points	+0.8 points
Non-recurring expenses	(232)	(236)	-	na	na
Income from operations	12,180	12,772	12,130	0%	+5%
(in % of revenues)	10.0%	10.4%	9.8%	+0.2 points	+0.6 points
Income before tax	10,363	10,953	10,298	+1%	+6%
Income tax	(2,777)	na	(2,961)	-6%	na
Net income	7,586	na	7,337	+3%	na
of which, Group share	7,614	na	7,627	-0%	na
of which, Non-controlling interests	(28)	na	(290)	-90%	na
Income from operations before non-recurring items	12,412	13,008	12,130	+2%	+7%
+ Net depreciation and amortization of non-current assets	7,563	7,628	7,613	-1%	0%
EBITDA before non-recurring items	19,975	20,636	19,744	+1%	+5%
(in % of revenues)	16.5%	16.8%	16.0%	+0.5 points	+0.8 points
€ / $ average parity	*1.09*	*1.07*	*1.07*		

Company certification of the first quarter 2024 report

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

Paris, April 24, 2024

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

(in thousands of euros)	March 31, 2024 (1)	December 31, 2023	March 31, 2023
Goodwill	358,369	297,306	299,725
Other intangible assets	200,767	129,014	139,518
Leasing rights-of-use	26,812	26,322	27,193
Property, plant and equipment	25,377	25,800	27,095
Other non-current assets	11,817	18,150	16,586
Deferred tax assets	13,707	13,591	13,068
Total non-current assets	636,849	510,183	523,184
Inventories	71,295	70,686	75,086
Trade accounts receivable	101,612	91,859	85,963
Other current assets	37,804	21,441	27,236
Cash and cash equivalents	100,481	115,049	126,759
Total current assets	311,192	299,035	315,045
Total assets	**948,042**	**809,218**	**838,228**

EQUITY AND LIABILITIES

(in thousands of euros)	March 31, 2024 (1)	December 31, 2023	March 31, 2023
Share capital	37,868	37,833	37,794
Share premium	141,253	140,777	140,209
Treasury shares	(887)	(885)	(945)
Currency translation adjustments	23,890	16,977	23,074
Retained earnings and net income	113,611	215,124	210,922
Non-controlling interests	25,866	8,033	6,821
Total equity	341,600	417,859	417,875
Retirement benefit obligations	11,397	10,593	9,633
Non-current lease liabilities	21,724	22,074	23,878
Minority shares purchase commitments	159,407	49,536	49,341
Deferred tax liabilities	20,950	2,733	2,796
Borrowings, non-current portion	103,186	76,684	97,554
Total non-current liabilities	316,662	161,620	183,202
Trade and other current payables (2)	137,245	88,493	96,941
Deferred revenues	109,279	94,103	90,635
Current income tax liabilities	6,456	5,504	5,671
Current lease liabilities	9,826	9,144	9,183
Minority shares purchase commitments	1,702	1,702	-
Borrowings, current portion	16,081	21,405	21,409
Provisions for other liabilities and charges	9,190	9,386	13,312
Total current liabilities	289,779	229,738	237,151
Total equity and liabilities	**948,042**	**809,217**	**838,228**

(1) The 2024 amounts integrate Launchmetrics since January 23, 2024 (see note 3 hereafter)
(2) In 2024, this amount integrates an estimated residual balance of 36.4 million euros related to the acquisition of Launchmetrics (see note 3 hereafter).

CONSOLIDATED INCOME STATEMENT

(in thousands of euros)	Three months ended March 31, 2024 [1]	Three months ended March 31, 2023
Revenues	129,563	123,653
Cost of goods sold	(37,368)	(38,891)
Gross profit	92,195	84,762
Research and development	(14,721)	(12,670)
Selling, general and administrative expenses	(66,262)	(59,962)
Income from operations before non-recurring items	11,212	12,130
Non-recurring expenses	(232)	-
Income from operations	10,979	12,130
Financial income	1,175	490
Financial expenses	(2,770)	(1,871)
Foreign exchange income (loss)	(392)	(451)
Income before tax	8,992	10,298
Income tax	(2,286)	(2,961)
Net income	6,706	7,337
of which, Group share	7,172	7,627
of which, Non-controlling interests	(466)	(290)

(in euros)		
Earnings per share, Group share:		
- basic	0.19	0.20
- diluted	0.19	0.20
Shares used in calculating earnings per share:		
- basic	37,812,423	37,762,752
- diluted	38,173,837	38,213,044

(in thousands of euros)		
Income from operations before non-recurring items	11,212	12,130
+ Net depreciation and amortization of non-current assets	9,857	7,614
EBITDA before non-recurring items	21,069	19,744

STATEMENT OF COMPREHENSIVE INCOME, GROUP SHARE [3]

(in thousands of euros)	Three months ended March 31, 2024	Three months ended March 31, 2023
Net income, Group share	7,172	7,627
Currency translation adjustments	6,913	(7,228)
Tax effect	-	(44)
Other comprehensive income to be reclassified in net income	6,913	(7,272)
Remeasurement of the net liability arising from defined benefits pension plans	-	57
Tax effect	-	(14)
Other comprehensive income not to be reclassified in net income	0	43
Total other comprehensive income	6,913	(7,229)
Comprehensive income, Group share	**14,085**	**398**

(1) The 2024 amounts integrate Launchmetrics since January 23, 2024 (see note 3 hereafter)
(2) Non-recurring expenses correspond for 0.2 million euros costs related to the acquisition of Launchmetrics.
(3) The Group considered as non-material the information regarding the comprehensive income of the non-controlling interests (for Neteven, Gemini CAD Systems, Glengo Lectra Teknoloji, TextileGenesis and Launchmetrics, see note 3 hereafter) and thus only presents the comprehensive income of the Group share.

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of euros)	Three months ended March 31, 2024 [1]	Three months ended March 31, 2023
I - OPERATING ACTIVITIES		
Net income	6,706	7,337
Net depreciation and amortization (non-current assets)	9,857	7,614
Net depreciation and provisions (current assets)	702	941
Non-cash operating expenses	1,366	(404)
Loss (profit) on sale of fixed assets	121	(5)
Changes in deferred income taxes	(605)	(1,087)
Changes in inventories	(1,162)	(1,100)
Changes in trade accounts receivable	8,935	4,887
Changes in other current assets and liabilities	(92)	(5,028)
Changes in other operating non-current assets	(627)	-
Net cash provided by (used in) operating activities	25,201	13,154
II - INVESTING ACTIVITIES		
Purchases of intangible assets	(1,216)	(1,247)
Purchases of property, plant and equipment	(526)	(614)
Proceeds from sales of intangible and tangible assets	-	1
Acquisition cost of companies purchased [2]	(34,607)	(12,046)
Purchases of financial assets [3]	(1,816)	(5,224)
Proceeds from sales of financial assets [3]	2,016	5,671
Net cash provided by (used in) investing activities	(36,149)	(13,459)
III - FINANCING ACTIVITIES		
Proceeds from issuance of ordinary shares by the parent company	511	80
Change in share of interests in controlled entities [4]	-	(482)
Purchases of treasury shares	(1,563)	(5,089)
Sales of treasury shares	1,683	5,203
Repayment of lease liabilities	(2,890)	(2,653)
Repayment of long-term and short-term borrowings	(1,674)	-
Net cash provided by (used in) financing activities	(3,932)	(2,941)
Increase (decrease) in cash and cash equivalents	**(14,880)**	**(3,246)**
Cash and cash equivalents at opening	115,049	130,634
Increase (decrease) in cash and cash equivalents	(14,880)	(3,246)
Effect of changes in foreign exchange rates	313	(629)
Cash and cash equivalents at closing	100,482	126,759
Net cash provided by (used in) operating activities	25,201	13,154
+ Net cash provided by (used in) investing activities	(36,149)	(13,459)
- Acquisition cost of companies purchased	34,607	12,046
- Repayment of lease liabilities	(2,890)	(2,653)
Free cash flow	20,769	9,088
Non-recurring items of the free cash flow	(1,211)	(160)
Free cash flow before non-recurring items	21,981	9,248
Income tax (paid) / reimbursed, net	(1,500)	(1,146)
Interest (paid) on lease liabilities	(174)	(530)
Interest (paid)	(339)	(1,163)

(1) The 2024 amounts integrate Launchmetrics since January 23, 2024 (see note 3 hereafter).
(2) In 2024, this amount corresponds to the acquisition cost, net of cash acquired, of Launchmetrics. In 2023, it corresponded to the acquisition cost, net of cash acquired, of TextileGenesis, and the business takeover in China (see note 3 hereafter).
(3) These amounts mainly correspond to the valuation of purchases and sales of treasury shares made through the liquidity agreement, and for which the counterpart is shown in the corresponding cash flows arising from financing activities.
(4) The 2023 amount corresponded to the purchase of the part of one Neteven's co-founder after his departure.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital									
(in thousands of euros, except for par value per share expressed in euros)	Number of shares	Par value per share	Share capital	Share premium	Treasury shares	Currency translation adjustments	Retained earnings and net income	**Equity, Group share**	Non controlling interests	**Total equity**
Balance at December 31, 2022	37,788,949	1.00	37,789	140,134	(1,037)	30,346	242,269	449,501	2,719	452,220
Net income							7,627	7,627	(290)	7,337
Other comprehensive income						(7,272)	43	(7,229)	15	(7,214)
Comprehensive income						(7,272)	7,670	398	(275)	123
Exercised stock options	5,496	1.00	5	75				80		80
Fair value of stock options							313	313		313
Sale (purchase) of treasury shares					92			92		92
Profit (loss) on treasury shares							16	16		16
Minority shares purchase commitment revaluation for Neteven							379	379	(27)	352
Integration of TextileGenesis and minority shares purchase commitment (1)							(45,416)	(45,416)	4,404	(41,012)
Shares issued to non controlling interests							5,692	5,692		5,692
Balance at March 31, 2023	37,794,445	1.00	37,794	140,209	(945)	23,074	210,922	411,055	6,821	417,875
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	44,016	1.00	44	643				687		687
Fair value of stock options							1,499	1,499		1,499
Sale (purchase) of treasury shares					152			152		152
Profit (loss) on treasury shares							(137)	(137)		(137)
Internal transfer of intellectual property with non-controlling interests							(2,380)	(2,380)	2,380	-
Minority shares purchase commitment revaluation for Neteven							482	482	(131)	351
Integration of TextileGenesis and minority shares purchase commitment (1)							(45,416)	(45,416)	4,406	(41,010)
Discounting and revision of minority shares purchase commitments							3,795	3,795		3,795
Dividend paid							(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	409,828	8,033	417,860
Net income							7,172	7,172	(466)	6,706
Other comprehensive income						6,913	-	6,913	79	6,993
Comprehensive income						6,913	7,172	14,085	(387)	13,698
Exercised stock options	35,213	1.00	35	475				511		511
Fair value of stock options							295	295	19	314
Sale (purchase) of treasury shares					(2)			(2)		(2)
Profit (loss) on treasury shares							92	92		92
Integration of Launchmetrics and minority shares purchase commitment (2)							(119,769)	(119,769)	18,201	(101,568)
Discounting and revision of minority shares purchase commitments							10,747	10,747		10,747
Other changes							(52)	(52)		(52)
Balance at December 31, 2024	**37,868,178**	**1.00**	**37,868**	**141,252**	**(887)**	**23,890**	**113,610**	**315,734**	**25,866**	**341,600**

(1) These amounts stem from the takeover of TextileGenesis on January 9, 2023 (see note 3 hereafter).

(2) These amounts stem from the takeover of Launchmetrics on January 23, 2024. The note 3 hereafter details the impacts of this operation on Group financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT MARCH 31, 2024

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 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:

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

Worldwide presence

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

Since the acquisition of Launchmetrics on January 23, 2024, as well as the acquisition of TextileGenesis in January 2023, the creation of a Chinese entity (Lectra Suzhou) in December 2023, in addition to the parent company, the Group has an unrivalled network of 82 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 carried out in the United States and partly subcontracted, mainly to a company located in China, whose business dedicated to the Group was taken over in December 2023 (see note 3 hereafter).

People

Lectra's strength draws on the skills and experience of nearly 2,950 employees worldwide. Thanks to Lectra's global presence, the Group is close to all its customers, wherever they are in the world.

2. SUMMARY OF ACCOUNTING RULES AND METHODS

The consolidated financial statements are compliant with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board as adopted within the European Union, and available for consultation on the European Commission website:

https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/financial-reporting_en

The condensed consolidated financial statements at March 31, 2024, have been prepared in accordance with IAS 34 – Interim Financial Statements. They do not comprise all the financial disclosures required in the complete financial statements and should be read in conjunction with the Group's consolidated financial statements and corresponding notes for the fiscal year 2023, available on Lectra.com.

The consolidated financial statements have been prepared in accordance with same rules and methods as those applied in the preparation of the 2023 financial statements. They have been prepared under the responsibility of the Board of Directors at its meeting of April 24, 2024 and have not been reviewed by the Statutory Auditors.

The standards, amendments and interpretations adopted by the European Union whose application is required for fiscal years starting from January 1, 2024 have no impact on the Group's financial statements. The Group has not adopted in advance any standard, amendment or interpretation whose application is not required for fiscal years starting from January 1, 2024.

Seasonality

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

Critical accounting estimates and judgments

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

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

Revenue

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

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

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

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

The Group determines stand-alone selling prices of the multiple elements by using observable data as much as possible. For elements which are not sold separately on a customary basis, stand-alone selling prices are estimated based on the Company's pricing policy, reflecting expected costs plus an appropriate margin.

Revenue from sales of equipment (including pilot software) is recognized when the control has been transferred to the purchaser. These conditions are fulfilled upon physical transfer of the equipment in accordance with the contractual sale terms.

Software sold as perpetual licenses is regarded as right-of-use licenses under IFRS 15, for which revenue is booked at a certain date, generally the time of installation of the software on the customer's computer (either by USB flash drive or downloading).

Revenue from subscription sales of software (granting the customer with an access right the said software licenses) is spread over the duration of the customer's commitment.

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

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

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

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

Cost of goods sold

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

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

Research and development costs

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

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

Earnings per share

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

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

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

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

Performance indicators

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

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

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

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

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

EBITDA before non-recurring items

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

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

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

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

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

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

Security ratio

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

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

Operating segments

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

Reported segments refer to the major marketing regions. The regions concerned are: the Americas; Europe, Middle East and Africa (EMEA); and Asia-Pacific. These regions provide sales and 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, etc. All of these cross-divisional activities are reported as an additional column referred to here as 'Corporate' and which allows for reconciliation with the amounts presented in the Group's financial statements.

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

3. SCOPE OF CONSOLIDATION

At March 31, 2024, the Group's scope of consolidation comprised the parent company, Lectra SA, together with 77 fully-consolidated companies, 18 of which come from the acquisition of Launchmetrics. Five companies are not consolidated.

Acquisition of Launchmetrics

On January 9, 2024, the Group announced the signature of an agreement to acquire the majority of the capital and voting rights of the American company Launchmetrics. The transaction was finalized on January 23, 2024.

It involves the acquisition of 50.2% of TextileGenesis' capital and voting rights for an estimated amount of 82.3 million dollars (75,4 million euros at January 23, 2024 exchange rate). The acquisition of the remaining capital and voting rights (minority shares purchase commitment – with cross puts and calls) will take place in five phases in 2025, 2026, 2027 2028 and 2030 and will bring the total cost of the acquisition to an estimated amount between 200 and 240 million dollars, based on an expected two-digits-growth of both recurring revenues and EBITDA before non-recurring items, over the 2024-2029 period.

The purchase accounting (performed under IFRS 3) and the evaluation of its tax effects are still on-going, but provisional amounts have been calculated and will be reviewed in the future.

The main impacts on the Group financial statements to date are as follows:

- Recording of 100% of total net assets of 39.7 million dollars (36,4 million euros at January 23, 2024 exchange rate), resulting from:
    - intangible assets relating to customer relationships, technology, data base and trademark for the respective amounts of 38.7, 20,1, 16.5 and 3.5 million dollars (35.5, 18.5, 15.2 and 3.2 million euros respectively at January 23, 2024 exchange rate);
    - a deferred tax liability related to these intangible assets of 20.5 million dollars (18,8 million euros at January 23, 2024 exchange rate);
    - a negative 18.6 million dollars of net acquired asset (17,1 million euros at January 23, 2024 exchange rate);
- Recording of non-controlling interests ("partial goodwill" method), valued at their share in the net assets of the company (i.e. 49.8% of the total net assets above), for 19.8 million dollars (18.1 million euros at January 23, 2024 exchange rate);
- Recording of a goodwill of 62.4 million dollars (57.1 million euros at January 23, 2024 exchange rate);
- Recording of a debt to recognize the minority shares purchase commitment, booked for a total amount of 130.5 million dollars before discounting impact (119.8 million euros at January 23, 2024 exchange rate) (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 34.6 million euros. The estimated balance (36.4 million euros) will be cashed-out in June 2024, after definitive validation of the acquisition price.

Launchmetrics has been fully consolidated since January 23, 2024.

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 5.6 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:

- Inventory in the amount of 4.1 million euros;
- Recording of a goodwill of 0.5 million euros.

Acquisition of TextileGenesis

On December 8, 2022, Lectra had 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 8.9 million euros, including intangible assets relating to technology and customer relationships for the respective amounts of 2.6 and 4.9 million euros, generating a deferred tax liability of 1.6 million euros;
- Recording of non-controlling interests, valued at their share in the net assets of the company ("partial goodwill" method), for 4.4 million euros;
- Recording of a goodwill of 10.7 million euros;
- Recording of a debt to recognize the minority shares purchase commitment, recorded for a total amount of 45.4 million 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 12.0 million euros.

TextileGenesis has been fully consolidated since January 9, 2023.

Minority shares purchase commitments

During its past acquisitions (Neteven, Gemini, Glengo, TextileGenesis and Launchmetrics), 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).

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 Q1 2024, nor in 2023.

Non-consolidated entities

Historically, four sales and services subsidiaries were not consolidated, their revenue being immaterial both separately and combined. Lectra Russia has been added to this list since July 1, 2023. At March 31, 2024, their combined revenue amounted to 0.7 million euros, and their combined assets amounted to 2.4 million euros. They had no financial debt outside of the Group. Most of the sales activity of these subsidiaries is billed directly by Lectra SA.

Transactions with these subsidiaries mainly concern purchases from Lectra SA for the purposes of their local operations, or charges and commissions billed to Lectra SA in order to cover their overheads when they act as agents. The amount of these transactions was not significant at March 31, 2024.

4. OPERATING SEGMENTS INFORMATION

Three months ended March 31, 2024 (in thousands of euros)	EMEA [1]	Americas	Asia-Pacific	Corporate	Total
Revenues	55,303	44,426	29,834	-	129,563
EBITDA before non-recurring items	8,944	6,925	2,967	2,232	21,069

Three months ended March 31, 2023 (in thousands of euros)	EMEA [1]	Americas	Asia-Pacific	Corporate	Total
Revenues	48,931	45,552	29,170	-	123,653
EBITDA before non-recurring items	6,996	2,847	2,193	7,708	19,744

(1) This segment covers the following regions: Europe, Middle East and Africa.

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

5. CONSOLIDATED CASH FLOW SUMMARY

Three months ended March 31, 2024 (in thousands of euros)	Cash and cash equivalents	Financial debts	Net cash
Free cash flow before non-recurring items	21,981	-	21,981
Non-recurring items included in free cash flow	(1,211)	-	(1,211)
Proceeds from issuance of ordinary shares [1]	511	-	511
Sale and purchase of treasury shares [2]	120	-	120
Acquisition cost of companies purchased [3]	(34,607)	-	(34,607)
Change in scope [4]	-	(21,050)	(21,050)
Change in borrowings	(1,674)	1,674	-
Amortized cost of borrowings	-	(1,802)	(1,802)
Impact of currency variations	313	-	313
Change in cash position for the period	(14,567)	(21,178)	(35,745)
Cash position at December 31, 2023	115,049	(98,089)	16,960
Cash position at March 31, 2024	100,482	(119,267)	(18,785)
Change in cash position for the period	(14,567)	(21,178)	(35,745)

(1) Resulting solely from the exercise of stock options.
(2) This amount corresponds to the acquisition cost, net of cash acquired, of Launchmetrics (see note 3).
(3) Carried out solely under the liquidity agreement administered by Natixis Oddo BHF (see note 7).
(4) This amount comes from the Launchmetrics' financial debts existing at the date of acquisition.

Free cash flow before non-recurring items at March 31, 2024, was 22.0 million euros.

When deducting non-recurring cash-outs for 1.2 million euros, incurred for costs relating to the acquisition of Launchmetrics, free cash flow amounted to 20.8 million euros.

This figure results from a combination of 25.2 million euros in cash flows provided by operating activities (including a decrease in working capital of 7.7 million euros) and capital expenditures of 1.5 million euros. The cash flows provided by operating activities also comprised an increase in other operating non-current assets of 0.6 million euros (corresponding to the deduction of research tax credits from the corporate income tax due by Lectra SA in Q1 2024 – see note 6 hereafter). Finally, the repayment of lease liabilities (according to IFRS 16), for 2.9 million euros, was taken into account.

The variation in working capital is explained as follows:

- −8.9 million euros corresponding to the decrease in trade accounts receivable (the variation in trade accounts receivable shown in the consolidated statement of cash flows includes ‘Deferred revenues’ in the statement of financial position, which for the most part comprises the share of recurring contracts billed but not yet recognized in revenue);
- −1.8 million euros coming from the increase in trade payables;
- +1.2 million euros corresponding to the increase in inventories;
- +2.5 million euros arising from the payment of the variable portion of salaries for the Group in respect of fiscal year 2023 paid mainly in 2024, net from the accrual recognized in Q1 2024 that will be paid in 2025;
- −0.7 million euros arising from the changes in other current assets and liabilities; taken individually, these changes are all immaterial.

After deduction of 36,4 million euros related to the estimated balance of the first phase of Launchmetrics’ acquisition that will be paid in June 2024, the working capital at March 31, 2024 was negative at 5.9 million euros. It comprised the current portion (12.0 million euros) of the 19.1 million euros receivable on the French tax administration in respect of the research tax credit, which has not been received and has not been deducted from the corporate income tax.

6. RESEARCH TAX CREDIT

When the research tax credit applicable in France recognized in the year cannot be deducted from the corporate income tax, it is treated as a receivable on the French tax administration. If unused in the three following years, it is historically repaid to the Company in the fourth year.

The Group presents separately the current and non-current (to be repaid in over a year, and time-discounted) part of the income tax receivable related to the French research tax credit.

The research tax credit (1.3 million euros) for Q1 2024 was accounted for but not received.

Thus, at March 31, 2024, the Group held a 19.1 million euros receivable on the French tax administration (of which 7.1 million euros classified within other non-current assets), comprised of:

- the remaining amount of the research tax credit, after deduction from the corporate income tax due by Lectra in the same year: 0,6 million euros for Q1 2024, none for 2023 and 2022 (since the research tax credit was fully deducted from the corporate income tax of those periods), 2021 (6.0 million euros), 2020 (6.9 million euros) and 2018 (5.0 million euros);
- the remaining amount of the research tax credit (0.6 million euros) generated by Neteven.

Besides, the previous amounts due in more than one year have been reduced by a discounting impact for 0.4 million euros.

The Group had also recorded a provision for risk of 6.6 million euros at December 2023, taking into account ongoing discussions with the French administration concerning the Lectra SA research tax credit.

Considering 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. Thus, Lectra should receive the outstanding balance of these non-deducted tax credits as follows: 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 credit for the year, the Company would continue not to pay corporate income tax until the corresponding receivable is deducted in full. Thereafter it would deduct these tax credits each year from the income tax expense for the same year in full and would be required to pay the residual amount.

7. TREASURY SHARES

Since January 1, 2024, the Company has purchased 49,569 shares and sold 53,106 shares at an average price of €31.53 and €31.70 respectively under the liquidity agreement administered by Natixis Oddo BHF.

At March 31, 2024, the Company held 27,872 Lectra shares (i.e. 0.07% of the share capital) with an average purchase price of €31.82 entirely under the liquidity agreement.

8. CASH AND CASH EQUIVALENTS AND NET CASH

(in thousands of euros)	March 31, 2024	December 31, 2023
Available cash	96,482	111,049
Cash equivalents	4,000	4,000
Borrowings and financial debts	(119,267)	(98,089)
Net cash / (net debt)	(18,785)	16,960

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

The Company subscribed on June 1, 2021 a loan 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 75 base points for the second one. Two instalments of 21.0 million euros each was respectively paid back on June 1, 2022 and 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.

Besides, the Company signed an agreement with its banks to replace in June 2024 the loan subscribed in June 2021 to finance the Gerber Technology's acquisition, by a new loan for the same residual amount (100 million euros), payable over five years. In this context, the next instalment expected in June 2024 has been cancelled and reclassified as long-term loan.

At the date of acquisition, Launchmetrics' financial debts amounted to 21,1 million euros. These debts will be deducted from the four first phases of shares purchases. At March 31, 2024, these financial debts amounted to 19.9 million euros, of which 16.1 million euros classified as short-term loan.

The maturity of the loan was as follows:

(in thousands of euros)	March 31, 2024	December 31, 2023
Short term – less than one year	16,081	21,405
Long term – more than one year, and less than five years	103,186	76,684
Total	119,267	98,089

9. FOREIGN EXCHANGE RISK

In Q1 2024, the average parity between the US dollar and the euro was $1.09/€1.

Exchange risk hedging instruments

For Lectra's legacy entities, the Group's currency risk hedging policy is unchanged relative to December 31, 2023. Since July 2022, the Company also hedges the inter-company balance sheet positions between Gerber's legacy entities.

Exchange risk hedging instruments at March 31, 2024 were comprised of forward sales and purchases of foreign currencies (mainly US dollar) for a net total equivalent value (purchases minus sales) of 26.4 million euros, intended to hedge existing balance sheet positions. Thus, the Company has hedged almost all its balance sheet positions.

10. SENSITIVITY ANALYSIS

Sensitivity of revenues and EBITDA before non-recurring items to a change in exchange rates

The sensitivity of revenues and EBITDA before non-recurring items to a change in exchange rates was based on the December 31, 2023, exchange rates for the relevant currencies, in particular $1.10/€1. The sensitivity to a change in exchange rates takes past acquisitions into account.

In view of the estimated share of revenues and costs denominated in US dollars or in currencies correlated with the US dollar, a 5-cent fall in the euro against the US dollar (leading to an annual average exchange rate of $1.05/€1) 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. $1.15/€1) would mechanically reduce annual revenues and EBITDA before non-recurring items by the same amounts.