LECTRA

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS FOR THE THIRD QUARTER AND FIRST NINE MONTHS 2022

Dear Shareholders,

We report below on Lectra group's (the "Group") business activity and consolidated financial statements for the third quarter and first nine months of 2022, ending September 30, 2022.

To facilitate the analysis of the Group's results, the financial statements are compared to those published in 2021 and to the 2021 pro forma financial statement ("2021 Pro forma"), prepared by integrating the three acquisitions made in 2021 – Gerber Technology ("Gerber"), Neteven, and Gemini CAD Systems ("Gemini") – as if they had been consolidated from January 1, 2021, whereas they have been consolidated since June 1, July 28 and September 27, 2021 respectively.

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. These indicators are reported for all orders for new systems, including those booked by the companies acquired in 2021, and are compared to 2021 Pro forma amounts. The companies acquired – and Gerber in particular – did not track their orders prior to the acquisition. While the system to track Gerber orders using Lectra's strict rules was put in place following the acquisition, it has only provided precise information since October 1, 2021. Therefore, the amount indicated for orders in the 2021 Pro forma figures for the three companies acquired that year is equivalent to the corresponding figure for revenues, it being considered that there is generally a limited time between order intake and revenue recognition.

Comparisons between 2022 and 2021 are based solely on actual exchange rates due to the impossibility of calculating what the amounts would have been for the three acquisitions when using different exchange rates.

The detailed tables of orders for new systems, of revenues, and of the income statements for the third quarter, as well as for the first nine months of 2022 are provided in the additional information of this report, starting on page 11.

1. GREAT RESILIENCY IN A DEGRADED ENVIRONMENT

The first nine months of the year were significantly marked by the war in Ukraine and its consequences. As soon as the conflict began, the Company decided to cease its operations in Russia, by suspending the activity of its subsidiary Lectra Russia and stopping all deliveries of products or services. The Group's direct exposure to Ukraine and Russia is low; the contribution of these two countries in 2021 accounted for less than 1 percent of revenues.

This war has accelerated price increases, energy shortfalls and shortages in some raw materials. However, their impact on the Group's financial statements was limited due to its low exposure to energy costs and a limited dependency on those raw materials affected the most.

The Group also adjusted sale prices to compensate for the increase in its production costs in January and in July.

In addition, the lockdown periods in China had a negative impact on the amount of orders and revenues in this country.

The climate of uncertainty since the year began has been intensified more recently by growing fears of recession in many countries.

These situations have led some of the Group's customers to reduce their investment budgets to cope with cost increases, shortages, or potential reductions in activity, while others are postponing purchasing decisions until their business environment and visibility improve.

Finally, since the beginning of 2022, the dollar has significantly strengthened against the euro. With an average exchange rate of $1.06/€1 in the first nine months of 2022, the dollar was up 12% compared to the first nine months of 2021. This change and other currency changes mechanically increased revenues by roughly 7%.

In this environment, the Group has once again demonstrated its resiliency, with strong earnings growth.

2. SUMMARY FOR Q3 2022: STRONG GROWTH IN REVENUES AND EARNINGS

In Q3 2021, the Gerber accounts were consolidated for the entire period. The Neteven and Gemini accounts were consolidated from July 28 and September 27, respectively. As a result, the differences between the published figures and the Pro forma figures were negligible.

In a particularly difficult macroeconomic environment, orders for perpetual software licenses, equipment and accompanying software, and non-recurring services (46.6 million euros) decreased by 2% compared to the Q3 2021 Pro forma.

The annual value of new software subscription orders amounted to 2.0 million euros, up 1%.

Q3 2022 revenues totaled 141.2 million euros and increased by 22% (+22% compared to the 2021 Pro forma as well). In H1, revenues had increased by 11% compared to the 2021 Pro forma. In Q3, the Group fully caught up with any delays in deliveries of equipment and accompanying software caused by the long lockdown in China during Q2.

EBITDA before non-recurring items (29.7 million euros) increased by 47% and the EBITDA margin before non-recurring items was 21.0% (+3.5 percentage points). Compared to the 2021 Pro forma, EBITDA increased by 49% and the EBITDA margin by 3.8 percentage points.

Income from operations before non-recurring items amounted to 22.1 million euros, up 64% compared to Q3 2021. This includes a 3.1-million-euro charge for amortization of intangible assets arising from the acquisitions of Gerber, Neteven and Gemini, and from the activity of Glengo Teknoloji.

Net income totaled 15.2 million euros. It was multiplied by 1.9 compared to Q3 2021, which included a non-recurring charge of 1.6 million euros in respect of the acquisition of Gerber.

Free cash flow before non-recurring items came to 16.9 million euros (19.3 million euros in Q3 2021, which included the 4.5-million-euro outstanding balance of the research tax credit for 2017). After disbursement of 0.2 million euros in Q3 in respect of non-recurring charges, free cash-flow came to 16.7 million euros.

3. CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST NINE MONTHS OF 2022

The first nine months revenues were 392.1 million euros, up 50%.

EBITDA before non-recurring items totaled 74.9 million euros (+73% at actual exchange rates) and the EBITDA margin before non-recurring items was 19.1%.

Income from operations before non-recurring items amounted to 52.8 million euros (29.6 million euros in the first nine months of 2021), up 78%. This includes an 8.7-million-euro charge for amortization of intangible assets arising from the acquisitions of Gerber, Neteven and Gemini, and of the activity of Glengo Teknoloji.

After recognizing a non-recurring charge of 1.6 million euros in the first nine months of 2022 for impairment of the Group's net assets in Russia (0.9 million euros) and for costs relating to the acquisition of Gerber (0.7 million euros), income from operations amounted to 51.1 million euros.

Financial income and expenses represented a net charge of 2.7 million euros. Foreign exchange gains and losses generated a net loss of 0.9 million euros. After an income tax expense of 12.1 million euros, net income totaled 35.4 million euros, and was multiplied by 2.1.

Net earnings per share were €0.95 on basic capital and €0.93 on diluted capital (€0.48 on basic capital and €0.47 on diluted capital in the first nine months of 2021).

Free cash flow before non-recurring items (31.6 million euros) was down slightly compared to the first nine months of 2021 (33.6 million euros) and lower than the net income of the same period due to a temporary increase in working capital requirement. This increase stems from the payment in 2022 of the variable portion of compensation and the incentive plan for 2021, which were 10.5 million euros higher than the amount paid in 2021 in respect of 2020 performance, and due to the 15.8 million euro increase in inventories since January 1st to cover mainly the risk of shortages in certain components.

After disbursement of 2.6 million euros in respect of non-recurring charges, free cash-flow came to 29.0 million euros.

3.1 Comparison to the 2021 Pro forma

Growth in new system orders

The first nine months orders for perpetual software licenses, equipment and accompanying software, and non-recurring services (153.7 million euros) were up 5% compared to the amount of 2021 Pro forma orders.

Orders for perpetual software licenses (13.3 million euros), equipment and accompanying software (124.2 million euros) and for training and consulting (12.1 million euros) increased by 7%, 4% and 12% respectively.

Geographically, orders for perpetual software licenses, equipment and accompanying software, and non-recurring services increased by 22% in the Americas, 1% in Europe and decreased by 11% in Asia-Pacific (of which 24% in China). They increased by 53% in the rest of the world (including Northern Africa, South Africa, Turkey, and the Middle East …).

They increased by 50% in the automotive market and 2% in the fashion market. They decreased by 38% in the furniture market and 9% in the other industries.

The annual value of new software subscription orders came to 6.2 million euros, up 21% and an increase in all regions compared to the 2021 Pro forma.

Very strong growth in earnings

Despite the negative impact of the war in Ukraine and the lockdown measures in China, revenues (392.1 million euros) increased by 14% compared to the 2021 Pro forma.

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 (160.0 million euros) increased by 16%. This item contributed 41% of revenues (40% in 2021), and included mainly:

- perpetual software licenses (13.7 million euros), which increased by 11% and accounted for 3% of revenues (4% in 2021);

- equipment and accompanying software (131.2 million euros), which increased by 18% and accounted for 33% of revenues (33% in 2021);
- training and consulting (11.0 million euros), which increased by 8% and accounted for 3% of revenues (3% in 2021).

Accordingly, at September 30, 2022, the order backlog for perpetual software licenses, equipment and accompanying software, and training and consulting amounted to 46.1 million euros. It decreased by 2.9 million euros compared to December 31, 2021.

Revenues from recurring contracts, and consumables and parts

Revenues from recurring contracts, which represented 32% of revenues (32% in 2021), totaled 123.9 million euros, an 13% increase:

- software subscriptions (14.9 million euros), up 61%, represented 4% of revenues (3% in 2021);
- software maintenance contracts (39.4 million euros), up 6%, represented 10% of revenues (11% in 2021);
- equipment and accompanying software maintenance contracts (69.6 million euros), up 10%, represented 18% of revenues (18% in 2021).

In parallel, revenues from consumables and parts (108.2 million euros) were up 14% and represented 28% of revenues (28% in 2021).

Overall, recurring revenues (232.1 million euros) increased by 13%.

Gross profit

Gross profit amounted to 260.0 million euros, up 17% compared to the 2021 Pro forma.

The gross profit margin came to 66.3%, up 1.2 percentage points.

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 207.1 million euros, up 8% compared to the 2021 Pro forma. The breakdown is as follows:

- 189.0 million euros in fixed overhead costs (+12%);
- 18.1 million euros in variable costs (-23%).

Research and development costs (38.6 million euros), which are fully expensed in the period and included in fixed overhead costs, represented 9.8% of revenues (37.6 million euros and 11.0% of revenues for the 2021 Pro forma). After deducting the research tax credit applicable in France and grants received, net research and development costs totaled 33.1 million euros (30.8 million euros for the 2021 Pro forma).

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

EBITDA before non-recurring items (74.9 million euros) increased by 46% and the EBITDA margin before non-recurring items (19.1%) by 4.1 percentage points relative to the 2021 Pro forma.

Income from operations before non-recurring items (52.8 million euros) increased by 71% and the operating margin before non-recurring items (13.5%) by 4.5 percentage points compared to the 2021 Pro forma.

Net income (35.4 million euros) was multiplied by 2.3.

3.2 Balance sheet at September 30, 2022

At September 30, 2022, the Group had a particularly robust balance sheet with a consolidated shareholders' equity of 475.2 million euros (400.8 million euros at December 31, 2021) and a positive net cash position of 3.8 million euros, consisting in financial debt of 118.6 million euros and cash of 122.4 million euros.

The working capital requirement at September 30, 2022 was a negative 13.4 million euros.

4. ASSESSMENT OF THE 2020-2022 STRATEGIC ROADMAP

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

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

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

Despite the consequences of the economic crisis caused by the COVID-19 pandemic, the objectives of the 2020-2022 strategic roadmap were not changed. Only the growth targets for the end of the three-year period were lowered, due to the pandemic, then increased following the acquisitions of Gerber, Neteven, and Gemini.

The 2020-2022 strategic roadmap has been conducted with success despite a challenging macroeconomic and geopolitical environment.

Lectra's corporate profile has changed compared to 2019, with a stronger than ever financial structure, an extended global reach, an enlarged customer base, a reinforced product portfolio incorporating more and more 4.0 technologies and a revamped brand image.

These major advances give Lectra a new dimension with increased opportunities for continued growth.

The Lectra 4.0 strategy is proving its relevance

In the difficult international context of the last three years, Lectra's 4.0 strategy has proven to be efficient. Its four pillars – premium positioning, focus on three strategic market sectors, integration of customers into the heart of the Group's activities and the gradual market launch of new 4.0 services – are even more relevant than before.

Indeed, Lectra's customers, in fashion, automotive and furniture, face an urging need to become more agile in their development and manufacturing process and in the organization of their supply chains, to optimize costs and thus material consumptions, and to demonstrate their eco-responsibility. To succeed, it is imperative for them to implement new technologies, especially Industry 4.0 technologies, which are central to Lectra's offers.

The five strategic priorities of the 2020-2022 strategic roadmap guided the Group's actions over the three years: (1) accelerate organic growth, (2) strengthen customer relations, (3) extend the offers for Industry 4.0, (4) develop new areas for growth, (5) capture all synergies arising from the acquisition of Gerber.

With the acquisition of Gerber, Lectra's fundamentals have been strengthened. No competitor possesses anything as robust, rich, and advanced as Lectra's experience in key Industry 4.0 technologies, business expertise, customer base, worldwide presence, leadership, and business model.

Growing adoption of Lectra's offers for Industry 4.0

The growing adoption of Lectra's offers for Industry 4.0 – Quick Estimate, Quick Nest, Flex Nest, Fashion On Demand by Lectra, Furniture On Demand by Lectra, Kubix Link, Retviews and Neteven – confirm the relevance of Lectra's strategy and its choices since 2017.

Since the beginning of 2020, more than 600 new customers have chosen one of these offers, bringing the total number of customers using one or several of them to close to 750.

All the new software offers are sold in SaaS mode. In 2022, software subscriptions should represent more than 20 million euros of revenues, which proves the acceptance of this model by Lectra's customers.

Major technological advances to meet companies' long-term needs

Lectra maintained its policy of strong investment in R&D throughout the three years of the strategic roadmap. In 2022, R&D investments should amount to more than 52 million euros, which is 10% of revenues.

Throughout the roadmap period, Lectra also continued to expand its R&D teams. At September 30, 2022, the team amounted to 510 people, plus 50 external service providers. The Group also strengthened its expertise in the key Industry 4.0 technologies during the same period.

These strong investments have enabled Lectra to greatly increase the value of those offers launched for Industry 4.0 during the previous roadmap (Fashion On Demand by Lectra, Furniture On Demand by Lectra, Quick Offer by Lectra, Kubix Link, Retviews). They also resulted in the launch of major new products during the 2020-2022 period, including:

- The Automotive Cutting Room 4.0 offer − a set of solutions connected to one another: Vector, the fabric cutting equipment offering the best performance in the market; Empower, a new generation of digital services to leverage Vector's capabilities; Valia, the heart of the new offer, a software for preparing and scheduling production; and Algopex, 4.0 services for capitalizing on all the data generated by the cutting room.
- Flex Offer by Lectra: an automatic nesting solution, specifically designed for fashion manufacturers, hosted in the cloud, which optimizes management of material consumption at every step: from requests for quotations and the ordering of materials to production.
- Connected PIM by Lectra: PIM (Product Information Management) solution that allows fashion players to maximize their online sales, thanks to superior product data and extensive connectivity.

In addition, during this period, Lectra launched new versions or line extensions for its flagship offers.

Lectra also reinforced its innovation capacity by promoting open innovation through its Innovation Lab in Bordeaux-Cestas, which works via think-tanks, proofs-of-concept and proofs-of-value with customers, start-ups, other technological players, professional and academic bodies, in order to think and design solutions that meet the Group customers' new business challenges and long-term needs. Thanks to its partnership strategy initiated in 2021, Lectra is collaborating with other major actors on the market, notably with Microsoft, to continuously deliver disruptive innovations.

Furthermore, in 2021, Lectra was recognized by Euronext as being an innovative company, the Company having joined the Euronext Tech Leaders market index, which lists the top 100 European technology companies. This further confirms Lectra's significant contribution to the development of Europe's technologies sector.

Reinforced customer satisfaction

The deployment of customer success teams began in early 2020 in Italy, France and the United States. It was accelerated the same year to further strengthen the Group's relationships with its customer and help customers minimize disruptions from lockdowns and remote working. These decisions mainly limited the number of maintenance contract cancellations to the same level as in previous years, despite the pandemic. The deployment continued in the rest of the world in 2021 and 2022, at a faster pace than initially planned: at the end of September 2022, Lectra had: 890 people, including 30 customer success managers dedicated to Industry 4.0 offers, providing day-to-day support to the Group's customers. Their mission: optimize customer performance through the use of Lectra's solutions.

The number of customer success managers will continue to rise in the coming years, to provide support to a growing number of customers using more and more of Lectra's offers.

Strategic acquisitions opening new horizons for Lectra

The 2020-2022 strategic roadmap was a major milestone in the history of Lectra, marked by four acquisitions including its historical competitor, Gerber.

The combination of Gerber and Lectra created a premier advanced technology group with an extended global reach, capable of responding rapidly to changing customer needs across all its market sectors with innovative solutions for Industry 4.0. The Group now has a large installed base of CAD software and automated cutting solutions, with a worldwide presence and a long list of prestigious customers. This acquisition also strengthened the Group's position in its markets and facilitates the continued expansion of its Industry 4.0 technology offers, thus enabling customers to substantially improve both productivity and profitability.

Immediately following the completion of the acquisition of Gerber on June 1, 2021, a plan to integrate the teams, processes and tools was defined. Since then, the teams have been thoroughly integrated, the first set of IT tools have been harmonized, commercial and human resources processes have been aligned, and the first short-term synergies have been achieved. These have resulted, inter alia, in the optimization of the product portfolio, the launch of new service contracts for Gerber solutions, the creation of a common R&D plan and the launch of the first integration between Lectra and Gerber flagship CAD software. The synergies will be maximized during the 2023-2025 strategic roadmap.

Along with Gerber, Lectra acquired Neteven to reinforce its offer around e-commerce, and Gemini to enhance the depth of Lectra's fashion software portfolio. Both companies have added significant value to Lectra's value proposition for fashion customers.

In 2022, Lectra acquired the activity of Glengo Teknoloji, the exclusive distributor of Gerber solutions in Turkey, to combine it with Lectra Turkey's. This combination provides an opportunity for Lectra to expand its footprint in Turkey, Central Asia and the Middle East, and better serve its customers in these geographies.

Lectra intends to pursue its policy of targeted acquisitions.

Strong dedication to Corporate Social Responsibility (CSR)

In the framework of the strategic roadmap for 2020-2022, Lectra has put in place a structured CSR policy that is consistent with its strategy and the fundamentals that make up its identity. Reflection on its impact in terms of environmental sustainability, social responsibility and ethics has led to the identification of a number of challenges and opportunities for the Group. The formalized CSR policy aims to better meet stakeholders' expectations and focus on growth opportunities associated with social, societal, and environmental considerations.

In order to pursue Lectra's contribution to shaping a better future for Lectra and its customers, the Board of Directors has put in place a CSR Committee to oversee all the action plans for making environmental sustainability, social responsibility and ethics become even more central elements of the Group's strategy.

Very solid financial structure

Although the business activity was severely impacted during the period by a difficult macroeconomic and geopolitical environment, Lectra's business model has demonstrated its strength and virtue.

The Group's total revenues for 2022 will be higher than the pre-crisis level of combined revenue achieved by Lectra and Gerber.

Despite all the acquisitions, the security ratio – the share of annual fixed costs covered by the gross margin generated by recurring revenue – has remained close to 90%, reflecting the Group's determination to ensure sustainable, profitable business growth. Its financial structure remains very solid, with a consolidated shareholders' equity of 475.2 million euros and a positive net cash position at 30 September, 2022.

The second stage in implementing Lectra's 4.0 strategy successfully completed

Lectra's results since 2020 and the success of its offers for Industry 4.0, despite the deterioration of the macro-economic and geopolitical environment, demonstrate the relevance of the Company's choices since 2017.

With a solid, proven business model, these results give the Group the confidence to pursue its Lectra 4.0 strategy and capitalize on firm foundations for its next strategic roadmap for 2023-2025.

5. SHARE CAPITAL – OWNERSHIP – SHARE PRICE PERFORMANCE

Change in share capital

At September 30, 2022, the share capital came to €37,784,104, divided into 37,784,104 shares with a par value of €1.00.

Share capital increased by €41,145 (with a total share premium of €558,622) due to the creation of 41,145 shares since January 1, 2022, resulting from the exercise of stock options.

Main shareholders

On February 18, 2022, the Company was notified that AIPCF VI LG Funding (United States) had fallen below the 10% thresholds of share capital and of voting rights and held 9.01% of the share capital and 8.96% of the voting rights.

On February 23, 2022, the Company was notified that Fidelity Management and Research (United States) had exceeded the 5% thresholds of share capital and of voting rights and held 8.77% of the share capital and 8.73% of the voting rights.

On August 31, 2022, the Company was notified that the company Kabouter Management (United States) had fallen below the 5% thresholds of share capital and of voting rights. On August 22, 2022, the company Kabouter Management (United States) held 4.80% of the share capital and 4.77% of the voting rights.

No other crossing of statutory thresholds has been reported to the Company since January 1, 2022.

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

- Daniel Harari holds 14.6% of the capital and 14.5% of the voting rights;
- AIPCF VI LG Funding (United States) holds more than 5% (and less than 10%) of the share capital and voting rights;
- Artisan Partners Limited Partnership (United States), Brown Capital Management (United States), Fidelity Management and Research (United States), all three acting on behalf of investment funds and customers that they manage, 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 September 30, 2022, the Company held 0.09% of its own shares in treasury shares, solely within the framework of the liquidity agreement contracted with Exane BNP Paribas.

In its September 30, 2022 press release, the Company announced having ended its liquidity contract entrusted to Exane BNP Paribas since May 21, 2012 and having appointed Natixis and ODDO BHF to implement a liquidity contract, starting on October 3, 2022, for a period of one year tacitly renewable.

Lectra joins the new stock market index “Euronext Tech Leaders”

Having joined the new Euronext Tech Leaders stock market index, launched on June 7, 2022, Lectra is now one of the top 100 European technology leaders, of which 41 French companies, identified by Euronext as innovative and high-growth companies.

Share price performance and trading volumes

The Company’s share price at September 30, 2022 was €28.40, down 32% compared to December 31, 2021 (€42.00). In the first nine months, it reached a low of €26.65 on September 30 and a high of €44.85 on March 31.

The Euronext Tech Leaders index decreased by 33% for the first nine months of 2022. The CAC 40 index, CAC All-Tradable index and the CAC Mid & Small index decreased by 19%, 20% and 24% respectively.

According to Bloomberg, 14.8 million shares were traded on all platforms in the first nine months (10.7 million in the first nine months of 2021), including 27% on Euronext.

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

In its press release of April 11, 2022, 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).

6. SIGNIFICANT POST-CLOSING EVENTS SINCE SEPTEMBER 30, 2022

No significant event has occurred.

7. FINANCIAL CALENDAR

The Q4 and fiscal year 2022 financial results will be published on February 8, 2023, after the close of trading on Euronext Paris.

8. BUSINESS TRENDS IN 2022

In its 2021 Financial Report, published February 9, 2022, the Group indicated that the acquisitions made in 2021, and particularly the acquisition of Gerber, give the Group a new dimension and open new perspectives.

It further explained that uncertainties persist regarding the evolution of the pandemic and its impacts on the macroeconomic environment and could continue to weigh on investment decisions by the Group’s customers. To those uncertainties have been added the consequences of the war in Ukraine and of the strict lockdown measures implemented in China in H1.

At the beginning of 2022, the Group set itself objectives of achieving, in the current fiscal year, revenues in the range of 508 to 556 million euros (+31% to +43%) and EBITDA before non-recurring items in the range of 92 to 104 million euros (+41% to +60%). These objectives had been prepared on the basis of the closing exchange rates on December 31, 2021, and particularly $1.13 to the euro.

On July 28, 2022, Lectra finetuned its objectives for 2022: revenues in the range of 514 to 534 million euros (+33% to +38%) and EBITDA before non-recurring items in the range of 95 to 102 million euros (+46% to +57%), established on the basis of the actual exchange rates in H1, and the rates on June 30, 2022, particularly \$1.04/€1, for H2 2022.

The third quarter results enable Lectra to confirm the revised targets announced on July 28.

The Board of Directors
October 25, 2022

ADDITIONAL INFORMATION – THIRD QUARTER 2022

ORDERS FOR NEW SYSTEMS – COMPARISONS AT ACTUAL EXCHANGE RATES

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

	Three Months Ended September 30				
	2022		2021		Changes 2022 /Pro forma 2021
(in thousands of euros)	Actual	%	Pro forma	%	Actual exchange rates
Perpetual software licenses	3,592	8%	3,490	7%	+3%
Equipment and accompanying software	37,408	80%	39,362	83%	-5%
Training and consulting services	4,095	9%	3,266	7%	+25%
Miscellaneous	1,527	3%	1,262	3%	+21%
Total	46,623	100%	47,380	100%	-2%
€ / $ average parity	*1.01*		*1.18*		

New software subscriptions

	Three Months Ended September 30				
	2022		2021		Changes 2022 /Pro forma 2021
(in thousands of euros)	Actual	%	Pro forma	%	Actual exchange rates
Annual value of new software subscriptions	1,959	na	1,932	na	+1%
€ / $ average parity	*1.01*		*1.18*		

BREAKDOWN OF REVENUES – COMPARISONS AT ACTUAL EXCHANGE RATES

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

Revenues by region

	Three Months Ended September 30				
	2022		2021		Changes 2022 /Pro forma 2021
(in thousands of euros)	Actual	%	Pro forma	%	Actual exchange rates
Europe, of which:	36,822	26%	36,587	32%	+1%
- France	6,323	4%	6,458	6%	-2%
Americas	52,554	37%	38,752	33%	+36%
Asia-Pacific	41,388	29%	33,617	29%	+23%
Other countries	10,481	8%	6,993	6%	+50%
Total	141,245	100%	115,948	100%	+22%
€ / $ average parity	*1.01*		*1.18*		

Revenues by type of business

	Three Months Ended September 30				
	2022		2021		Changes 2022 /Pro forma 2021
(in thousands of euros)	Actual	%	Pro forma	%	Actual exchange rates
Revenues from perpetual software licenses, equipment and accompanying software, and non-recurring services, of which:	59,469	42%	46,387	40%	+28%
- Perpetual software licenses	3,893	3%	3,578	3%	+9%
- Equipment and accompanying software	50,398	36%	38,279	33%	+32%
- Training and consulting services	3,650	3%	3,247	3%	+12%
- Miscellaneous	1,527	1%	1,283	1%	+19%
Recurring revenues, of which:	81,776	58%	69,561	60%	+18%
- Software subscriptions	5,539	4%	3,409	3%	+62%
- Software maintenance contracts	13,667	10%	12,537	11%	+9%
- Equipment and accompanying software maintenance contracts	24,527	17%	21,382	18%	+15%
- Consumables and parts	38,043	27%	32,232	28%	+18%
Total	141,245	100%	115,948	100%	+22%
€ / $ average parity	*1.01*		*1.18*		

CONSOLIDATED INCOME STATEMENT – COMPARISONS AT ACTUAL EXCHANGE RATES

	Three Months Ended September 30				
	2022	2021	Changes 2022/2021	2021	Changes 2022 /Pro forma 2021
(in thousands of euros)	Actual	Actual	Actual exchange rates	Pro forma	Actual exchange rates
Revenues	141,245	115,318	+22%	115,948	+22%
Cost of goods sold	(48,423)	(40,551)	+19%	(40,564)	+19%
Gross profit	92,822	74,767	+24%	75,384	+23%
(in % of revenues)	65.7%	64.8%	+0.9 points	65.0%	+0.7 points
Research and development	(11,133)	(9,246)	+20%	(9,919)	+12%
Selling, general and administrative expenses	(59,595)	(52,081)	+14%	(52,434)	+14%
Income from operations before non-recurring items	22,094	13,439	+64%	13,032	+70%
(in % of revenues)	15.6%	11.7%	+3.9 points	11.2%	+4.4 points
Non-recurring expenses	(150)	(1,616)	-91%	(1,616)	-91%
Income from operations	21,945	11,824	+86%	11,415	+92%
(in % of revenues)	15.5%	10.3%	+5.2 points	9.8%	+5.7 points
Income before tax	19,912	10,904	+83%	10,498	+90%
Income tax	(4,738)	(3,011)	+57%	(3,012)	+57%
Net income	**15,173**	**7,893**	**+92%**	**7,486**	**+103%**
of which, Group share	**15,275**	**7,912**	**+93%**	**7,653**	**+100%**
of which, Non-controlling interests	(102)	(19)	na	(168)	-39%
Income from operations before non-recurring items	22,094	13,439	+64%	13,032	+70%
+ Net depreciation and amortization of non-current assets	7,567	6,701	+13%	6,866	+10%
EBITDA before non-recurring items	29,661	20,140	+47%	19,898	+49%
(in % of revenues)	21.0%	17.5%	+3.5 points	17.2%	+3.8 points
€ / $ average parity	*1.01*	*1.18*		*1.18*	

ADDITIONAL INFORMATION – FIRST NINE MONTHS 2022

ORDERS FOR NEW SYSTEMS – COMPARISONS AT ACTUAL EXCHANGE RATES

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

1.1. By product line

	Nine Months Ended September 30				
	2022		2021		Changes 2022 /Pro forma 2021
(in thousands of euros)	Actual	%	Pro forma	%	Actual exchange rates
Perpetual software licenses	13,297	8%	12,419	9%	+7%
Equipment and accompanying software	124,151	81%	119,018	81%	+4%
Training and consulting services	12,143	8%	10,883	7%	+12%
Miscellaneous	4,155	3%	3,987	3%	+4%
Total	153,746	100%	146,307	100%	+5%
€ / $ average parity	*1.06*		*1.20*		

1.2. By region

	Nine Months Ended September 30				
	2022		2021		Changes 2022 /Pro forma 2021
(in thousands of euros)	Actual	%	Pro forma	%	Actual exchange rates
Europe	41,391	27%	41,080	28%	+1%
Americas	46,054	30%	37,674	26%	+22%
Asia-Pacific	51,268	33%	57,736	39%	-11%
Other countries	15,032	10%	9,818	7%	+53%
Total	153,746	100%	146,307	100%	+5%
€ / $ average parity	*1.06*		*1.20*		

1.3. By market

	Nine Months Ended September 30				
	2022		2021		Changes 2022 /Pro forma 2021
(in thousands of euros)	Actual	%	Pro forma	%	Actual exchange rates
Fashion	77,209	50%	75,995	52%	+2%
Automotive	48,757	32%	32,605	22%	+50%
Furniture	13,555	9%	22,006	15%	-38%
Other industries	14,225	9%	15,701	11%	-9%
Total	153,746	100%	146,307	100%	+5%
€ / $ average parity	*1.06*		*1.20*		

New software subscriptions

	Nine Months Ended September 30				
	2022		2021		Changes 2022 /Pro forma 2021
(in thousands of euros)	Actual	%	Pro forma	%	Actual exchange rates
Annual value of new software subscriptions	6,183	na	5,112	na	+21%
€ / $ average parity	*1.06*		*1.20*		

BREAKDOWN OF REVENUES – COMPARISONS AT ACTUAL EXCHANGE RATES

Revenues by region

	Nine Months Ended September 30				
	2022		2021		Changes 2022 /Pro forma 2021
(in thousands of euros)	Actual	%	Pro forma	%	Actual exchange rates
Europe, of which:	117,717	30%	109,279	32%	+8%
- France	19,666	5%	18,175	5%	+8%
Americas	140,676	36%	114,071	33%	+23%
Asia-Pacific	103,741	26%	97,023	28%	+7%
Other countries	29,938	8%	22,059	7%	+36%
Total	392,073	100%	342,431	100%	+14%
€ / $ average parity	*1.06*		*1.20*		

Revenues by type of business

	Nine Months Ended September 30				
	2022		2021		Changes 2022 /Pro forma 2021
(in thousands of euros)	Actual	%	Pro forma	%	Actual exchange rates
Revenues from perpetual software licenses, equipment and accompanying software, and non-recurring services, of which:	159,977	41%	137,919	40%	+16%
- Perpetual software licenses	13,690	3%	12,383	4%	+11%
- Equipment and accompanying software	131,152	33%	111,395	33%	+18%
- Training and consulting services	10,981	3%	10,133	3%	+8%
- Miscellaneous	4,155	1%	4,009	1%	+4%
Recurring revenues, of which:	232,096	59%	204,511	60%	+13%
- Software subscriptions	14,890	4%	9,223	3%	+61%
- Software maintenance contracts	39,429	10%	37,333	11%	+6%
- Equipment and accompanying software maintenance contracts	69,610	18%	63,070	18%	+10%
- Consumables and parts	108,167	28%	94,886	28%	+14%
Total	392,073	100%	342,431	100%	+14%
€ / $ average parity	*1.06*		*1.20*		

CONSOLIDATED INCOME STATEMENT – COMPARISONS AT ACTUAL EXCHANGE RATES

	Nine Months Ended September 30				
	2022	2021	Changes 2022/2021	2021	Changes 2022 /Pro forma 2021
(in thousands of euros)	Actual	Actual	Actual exchange rates	Pro forma	Actual exchange rates
Revenues	392,073	262,029	+50%	342,431	+14%
Cost of goods sold	(132,181)	(82,575)	+60%	(119,638)	+10%
Gross profit	259,892	179,453	+45%	222,793	+17%
(in % of revenues)	66.3%	68.5%	-2.2 points	65.1%	+1.2 points
Research and development	(33,134)	(22,834)	+45%	(30,758)	+8%
Selling, general and administrative expenses	(173,994)	(127,011)	+37%	(161,266)	+8%
Income from operations before non-recurring items	52,764	29,608	+78%	30,769	+71%
(in % of revenues)	13.5%	11.3%	+2.2 points	9.0%	+4.5 points
Non-recurring expenses	(1,618)	(6,380)	-75%	(6,381)	-75%
Income from operations	51,146	23,228	+120%	24,389	+110%
(in % of revenues)	13.0%	8.9%	+4.1 points	7.1%	+5.9 points
Income before tax	47,548	22,152	+115%	22,020	+116%
Income tax	(12,145)	(5,334)	+128%	(6,668)	+82%
Net income	**35,403**	**16,818**	**+111%**	**15,352**	**+131%**
of which, Group share	**35,723**	**16,739**	**+113%**	**15,651**	**+128%**
of which, Non-controlling interests	(320)	79	na	(299)	+7%
Income from operations before non-recurring items	52,764	29,608	+78%	30,769	+71%
+ Net depreciation and amortization of non-current assets	22,130	13,751	+61%	20,574	+8%
EBITDA before non-recurring items	74,894	43,359	+73%	51,343	+46%
(in % of revenues)	19.1%	16.5%	+2.6 points	15.0%	+4.1 points
€ / $ average parity	*1.06*	*1.20*		*1.20*	

Company certification of the first nine months of 2022 report

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

Paris, October 25, 2022

Daniel Harari
Chairman and Chief Executive Officer

Olivier du Chesnay
Chief Financial Officer

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

(in thousands of euros)	September 30, 2022 (1)	December 31, 2021 (1)	September 30, 2021 (2)
Goodwill	309,869	275,250	274,322
Other intangible assets	152,129	138,084	137,270
Leasing rights-of-use	29,388	28,543	29,512
Property, plant and equipment	28,779	28,060	27,788
Other non-current assets	23,711	24,638	24,618
Deferred tax assets	12,092	9,047	8,000
Total non-current assets	555,968	503,622	501,510
Inventories	77,992	59,650	53,940
Trade accounts receivable	84,534	82,948	69,114
Other current assets	21,279	19,153	18,482
Cash and cash equivalents	122,449	130,586	114,486
Total current assets	306,254	292,337	256,022
Total assets	**862,222**	**795,959**	**757,532**

EQUITY AND LIABILITIES

(in thousands of euros)	September 30, 2022 (1)	December 31, 2021 (1)	September 30, 2021 (2)
Share capital	37,784	37,743	37,695
Share premium	140,070	139,511	138,881
Treasury shares	(1,067)	(271)	(535)
Currency translation adjustments	63,960	12,132	6,302
Retained earnings and net income	231,541	208,947	196,905
Non-controlling interests	2,899	2,724	1,582
Total equity	475,187	400,786	380,830
Retirement benefit obligations	10,410	11,348	11,257
Non-current lease liabilities	27,030	25,930	26,962
Minority shares purchase commitments	11,500	9,500	9,500
Deferred tax liabilities	1,398	-	-
Borrowings, non-current portion	97,440	118,284	118,255
Total non-current liabilities	147,778	165,062	165,974
Trade and other current payables	109,302	110,852	101,305
Deferred revenues	80,873	77,822	68,236
Current income tax liabilities	7,012	4,586	4,730
Current lease liabilities	9,447	8,500	8,842
Minority shares purchase commitments	-	2,464	2,464
Borrowings, current portion	21,193	21,102	21,099
Provisions for other liabilities and charges	11,430	4,785	4,052
Total current liabilities	239,257	230,111	210,728
Total equity and liabilities	**862,222**	**795,959**	**757,532**

(1) The September 2022 and December 2021 amounts integrate Gerber Technology, Neteven and Gemini CAD Systems (see note 3 hereafter).
(2) The September 2021 amounts were restated following the implementation of the IFRS IC decision relating to IAS 19, made at the end of 2021 retroactively on January 1, 2021, and that entailed a decrease of retirement benefit obligations and deferred tax assets by 0.9 and 0.2 million euros respectively, and an increase of retained earnings (Group share) by 0.7 million euros.

CONSOLIDATED INCOME STATEMENT

(in thousands of euros)	Nine months ended September 30, 2022 [(1)]	Nine months ended September 30, 2021
Revenues	392,073	262,029
Cost of goods sold	(132,181)	(82,575)
Gross profit	259,892	179,453
Research and development	(33,134)	(22,834)
Selling, general and administrative expenses	(173,994)	(127,011)
Income from operations before non-recurring items	52,764	29,608
Non-recurring expenses [(2)]	(1,618)	(6,380)
Income from operations	51,146	23,228
Financial income	655	450
Financial expenses	(3,361)	(1,232)
Foreign exchange income (loss)	(892)	(294)
Income before tax	47,548	22,152
Income tax	(12,145)	(5,334)
Net income	**35,403**	**16,818**
of which, Group share	**35,723**	**16,739**
of which, Non-controlling interests	(320)	79

(in euros)		
Earnings per share, Group share:		
- basic	0.95	0.48
- diluted	0.93	0.47
Shares used in calculating earnings per share:		
- basic	37,746,761	34,810,970
- diluted	38,227,706	35,279,826

(in thousands of euros)		
Income from operations before non-recurring items	52,764	29,608
+ Net depreciation and amortization of non-current assets	22,130	13,751
EBITDA before non-recurring items	74,894	43,359

STATEMENT OF COMPREHENSIVE INCOME, GROUP SHARE [(3)]

(in thousands of euros)	Nine months ended September 30, 2022 [(1)]	Nine months ended September 30, 2021
Net income, Group share	35,723	16,739
Currency translation adjustments	51,488	17,440
Tax effect	341	154
Other comprehensive income to be reclassified in net income	51,828	17,595
Remeasurement of the net liability arising from defined benefits pension plans	1,040	762
Tax effect	(263)	(203)
Other comprehensive income not to be reclassified in net income	777	559
Total other comprehensive income	52,605	18,154
Comprehensive income, Group share	**88,328**	**34,893**

(1) The 2022 amounts integrate Gerber Technology, Neteven and Gemini CAD Systems (see note 3 hereafter).
(2) These amounts correspond to fees and other costs relating to the acquisition of Gerber Technology and the impairment of the Group's net assets in Russia (see note 3 hereafter).
(3) The Group considered as non-material the information regarding the comprehensive income of the non-controlling interests (see note 3 hereafter) and thus only presents the comprehensive income of the Group share.

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of euros)	Nine months ended September 30, 2022 [1]	Nine months ended September 30, 2021
I - OPERATING ACTIVITIES		
Net income	35,403	16,818
Net depreciation and amortization (non-current assets)	22,130	13,751
Net depreciation and provisions (current assets)	2,712	1,230
Non-cash operating expenses	3,410	386
Loss (profit) on sale of fixed assets	22	(22)
Changes in deferred income taxes	(1,171)	761
Changes in inventories	(15,828)	(7,186)
Changes in trade accounts receivable	334	3,685
Changes in other current assets and liabilities	(5,432)	12,866
Changes in other operating non-current assets	(50)	(6,171)
Net cash provided by (used in) operating activities	41,530	36,118
II - INVESTING ACTIVITIES		
Purchases of intangible assets	(2,358)	(1,778)
Purchases of property, plant and equipment	(3,475)	(1,729)
Proceeds from sales of intangible and tangible assets	-	42
Acquisition cost of companies purchased [2]	(5,023)	(181,045)
Purchases of financial assets [3]	(8,439)	(7,083)
Proceeds from sales of financial assets [3]	9,217	6,982
Net cash provided by (used in) investing activities	(10,078)	(184,611)
III - FINANCING ACTIVITIES		
Proceeds from issuance of ordinary shares by the parent company	600	2,177
Proceeds from issuance of ordinary shares to non controlling interests	490	-
Dividend paid	(13,588)	(7,820)
Change in share of interests in controlled entities [4]	(1,714)	(1,363)
Purchases of treasury shares	(9,144)	(6,882)
Sales of treasury shares	8,263	6,961
Repayment of lease liabilities	(7,505)	(5,755)
Proceeds from long term and short term borrowings	-	139,214
Repayments of long-term and short-term borrowings	(21,000)	-
Net cash provided by (used in) financing activities	(43,598)	126,532
Increase (decrease) in cash and cash equivalents	**(12,146)**	**(21,961)**
Cash and cash equivalents at opening	130,586	134,626
Increase (decrease) in cash and cash equivalents	(12,146)	(21,961)
Effect of changes in foreign exchange rates	4,009	1,821
Cash and cash equivalents at closing	122,449	114,486
Net cash provided by (used in) operating activities	41,530	36,118
+ Net cash provided by (used in) investing activities	(10,078)	(184,611)
- Acquisition cost of companies purchased	5,023	181,045
- Repayment of lease liabilities	(7,505)	(5,755)
Free cash flow	28,970	26,797
Non-recurring items of the free cash flow	(2,609)	(6,782)
Free cash flow before non-recurring items	31,579	33,579
Income tax (paid) / reimbursed, net	(5,778)	(2,813)
Interest (paid) on lease liabilities	(394)	(152)
Interest (paid)	(794)	(304)

(1) The 2022 amounts integrate Gerber Technology, Neteven and Gemini CAD Systems (see note 3 hereafter).
(2) In 2022, this amount corresponds to the price paid for the business combination with Glengo Teknoloji, and in 2021, to the acquisition cost, net of cash acquired, of Gerber Technology (see note 3 hereafter).
(3) These amounts mainly correspond to the valuation of purchases and sales of treasury shares made through the liquidity agreement, and for which the counterpart is shown in the corresponding cash flows arising from financing activities.
(4) These amounts correspond to the payments of the remainder of the staggered purchases of additional 10% of Retviews, made in January and July 2021 and then in January and July 2022 (see note 3 hereafter).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in thousands of euros, except for par value per share expressed in euros)	Share capital									
	Number of shares	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, 2020	32,511,651	1.00	32,512	19,387	(343)	(11,293)	151,750	192,013	160	192,173
Implementation of IFRS IC decision relative to IAS 19							659	659	-	659
Balance at January 1, 2021	32,511,651	1.00	32,512	19,387	(343)	(11,293)	152,409	192,672	160	192,832
Net income							16,739	16,739	79	16,818
Other comprehensive income						17,595	559	18,154	-	18,154
Comprehensive income						17,595	17,299	34,893	79	34,972
Exercised stock options	183,396	1.00	183	1,994				2,177		2,177
Shares issued to purchase Gerber Technology[1]	5,000,000	1.00	5,000	117,500			42,750	165,250		165,250
Fair value of stock options							762	762		762
Sale (purchase) of treasury shares					(192)			(192)		(192)
Profit (loss) on treasury shares							204	204		204
Minority shares purchase commitment revaluation for Retviews							799	799	(129)	670
Integration of Neteven and Gemini and minority shares purchase commitment[3]							(9,500)	(9,500)	1,473	(8,027)
Dividend paid							(7,820)	(7,820)		(7,820)
Balance at September 30, 2021	37,695,047	1.00	37,695	138,881	(535)	6,302	196,905	379,248	1,582	380,830
Balance at December 31, 2020	32,511,651	1.00	32,512	19,387	(343)	(11,293)	151,750	192,013	160	192,173
Implementation of IFRS IC decision relative to IAS 19							659	659	-	659
Balance at January 1, 2021	32,511,651	1.00	32,512	19,387	(343)	(11,293)	152,409	192,672	160	192,832
Net income							28,255	28,255	(11)	28,244
Other comprehensive income						23,425	664	24,089	-	24,089
Comprehensive income						23,425	28,919	52,344	(11)	52,333
Exercised stock options	231,308	1.00	231	2,624				2,855		2,855
Shares issued to purchase Gerber Technology[1]	5,000,000	1.00	5,000	117,500			42,750	165,250		165,250
Fair value of stock options							1,119	1,119		1,119
Sale (purchase) of treasury shares					72			72		72
Profit (loss) on treasury shares							270	270		270
Minority shares purchase for Retviews[2]							799	799	(129)	670
Integration of Neteven and Gemini and minority shares purchase commitment[3]							(9,500)	(9,500)	1,500	(8,000)
Shares issued to non controlling interests							-	-	1,204	1,204
Dividend paid							(7,820)	(7,820)		(7,820)
Balance at December 31, 2021	37,742,959	1.00	37,743	139,511	(271)	12,132	208,947	398,062	2,724	400,786
Net income							35,723	35,723	(320)	35,403
Other comprehensive income						51,828	777	52,605	-	52,605
Comprehensive income						51,828	36,500	88,328	(320)	88,008
Exercised stock options	41,145	1.00	41	559				600		600
Fair value of stock options							1,003	1,003		1,003
Sale (purchase) of treasury shares					(796)			(796)		(796)
Profit (loss) on treasury shares							(66)	(66)		(66)
Minority shares purchase commitment revaluation for Retviews							837	837	(87)	750
Glengo operation and minority shares purchase commitment[4]							(2,091)	(2,092)	92	(2,000)
Shares issued to non controlling interests[4]							-	-	490	490
Dividend paid							(13,588)	(13,588)		(13,588)
Balance at September 30, 2022	**37,784,104**	**1.00**	**37,784**	**140,070**	**(1,067)**	**63,960**	**231,541**	**472,288**	**2,899**	**475,187**

(1) This amount corresponds to the shares issued on June 1, 2021 for the acquisition of Gerber Technology (see note 3 hereafter).
(2) This amount stems from the staggered purchases of additional 10% of Retviews in 2021 and 2022 (see note 3 hereafter).
(3) These amounts stem from the takeover of Neteven and Gemini CAD Systems in 2021 (see note 3 hereafter).
(4) These amounts stem from the business combination with Glengo Teknoloji on June 1, 2022 (see note 3 hereafter).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT SEPTEMBER 30, 2022

1. BUSINESS ACTIVITY

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

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

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

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

Business model

Lectra's business model is based on three pillars:

- the distribution of business activity over market sectors and geographical markets with cycles that are different from each other, and the very large number of customers throughout the world;
- a balanced revenue mix between 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 Gerber Technology ("Gerber") in June 2021, Neteven in July 2021 and Gemini CAD Systems ("Gemini") in September 2021, the Group has an unrivalled network of 61 subsidiaries, from which Lectra generates nearly 85% of its revenue.

Lectra welcomes customers from around the world in its International Advanced Technology & Conference Centers in Bordeaux-Cestas (France), Atlanta (USA), New York (USA) and Shanghai (China). The Group has twelve international Expertise Centers, based in Bordeaux-Cestas (France), Madrid (Spain), Milan (Italy), Porto (Portugal), Istanbul (Turkey), Atlanta (USA), Tolland (USA), Blumenau (Brazil), Osaka (Japan), Seoul (South Korea), Ho Chi Minh (Vietnam) 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 subcontracted, essentially to two companies, one in China and the other in the United States.

People

Lectra's strength lies in the skills and experience of nearly 2,500 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 September 30, 2022, 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 2021, available on lectra.com.

The consolidated financial statements have been prepared in accordance with the same rules and methods as those applied in the preparation of the 2021 financial statements. They have been prepared under the responsibility of the Board of Directors at its meeting of October 25, 2022 and have not been subjected to a limited review by the Statutory Auditors.

The standards, amendments and interpretations adopted by the European Union whose application is required for fiscal years starting from January 1, 2022 have no impact on the Group's financial statements. The Group has not early adopted any standard, amendment or interpretation whose application is not required for fiscal years starting from January 1, 2022.

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.

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

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

- installation of equipment and specialized software is made in a few days, easy to implement, and does not modify their characteristics;
- training is short-term and had no interdependence relationship with the other obligations;
- consulting usually regards the optimization of clients' 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 Company determines stand-alone selling prices of the multiple elements by using observable data as much as possible. For elements which are not sold separately on a customary basis, stand-alone selling prices are estimated based on the Company's pricing policy, reflecting expected costs plus an appropriate margin.

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

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

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

The French research tax credit (*crédit d'impôt recherche*) and innovation tax credit (*credit d'impôt innovation*), 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-overheads costs by revenues that do not depend on customer's investment decisions from one year to the next.

Operating segments

Operating segment reporting is based directly on the Group's performance tracking and review systems. The 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; Northern and Eastern Europe and Middle East; Southern Europe and North Africa; and Asia-Pacific. These regions are involved in sales and the provision of services to their customers. They do not perform any industrial activities or R&D. They draw on centralized competencies and a wide array of functions that are pooled among all of the regions, including marketing, business development, logistics, procurement, production, R&D, finance, legal affairs, human resources, information systems. All of these cross-divisional activities are reported as an additional column referred to here as 'Corporate' and which allows for reconciliation with the amounts presented in the Group's financial statements.

Performance is measured by the segment's EBITDA before non-recurring items and impairment of assets, if any. Marketing regions derive their 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 September 30, 2022, the Group's scope of consolidation comprised the parent company, Lectra SA, together with 58 fully-consolidated companies, 25 of which come from the acquisition of Gerber.

Situation in Ukraine and Russia

As soon as the conflict began, the Company decided to cease its operations in Russia, by suspending the activity of its subsidiary Lectra Russia and stopping all deliveries of products or services.

The Group recorded an impairment of its net assets in Russia, for an approximate 0.9 million euros; the Lectra Russia subsidiary remains fully consolidated in the Group's scope.

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), pour 5.0 million 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 is in the process of being finalized, and the main impacts on the Group financial statements to date are as follows:

- Recording of customer relationships for 2.4 million euros;
- Acquisition of inventory for 1.6 million euros;
- Acquisition of tangible assets (mostly cars) for 0.5 million euros;
- Recording of a goodwill of 0.1 million euros;
- Recording of non-controlling interests, valued at their share in the net assets of the company (against equity, Group share), for 0.1 million euros;
- Recording of a debt to recognize the minority shares purchase commitment, measured at fair value, recorded for a total amount of 2.0 million euros (classified as non-current liabilities). The counterpart is recorded in 'Equity, Group share'.

The acquisition cost for Lectra has been entirely disclosed under the heading 'Acquisition cost of companies purchased' in the statement of cash flows, for an amount of 5.0 million euros.

A first capital increase in the amount of 11 thousand euros took place in June 2022, fully subscribed by the former shareholders of Glengo (minority shareholders) and appears on the corresponding caption in the statement of cash-flows.

An additional capital increase in the amount of 1.9 million euros was made in July 2022, 25% of which were subscribed by the former shareholders of Glengo (appearing on the corresponding caption in the statement of cash-flows), Lectra having subscribed to the remaining 75%.

Acquisition of Gemini

In September 2021, the Group purchased the Romanian company Gemini. The transaction involved, at that date, the acquisition of 60% of the capital and voting rights of Gemini for 7.6 million euros. The acquisition of the remaining capital and voting rights (minority shares purchase commitment – with cross puts and calls) will take place in two installments in September 2024 and September 2026, and will bring the total cost of the acquisition between 13 and 20 million euros.

The purchase price accounting was finalized. The debt to recognize the minority shares purchase commitment, measured at fair value, is recorded for a total amount of 7.0 million euros (classified as non-current liabilities).

Gemini has been fully consolidated since September 27, 2021.

Acquisition of Neteven

In June 2021, the Group purchased the French company Neteven. The transaction involved, at that date, the acquisition of 80% of the capital and voting rights of Neteven for 12.6 million euros. The acquisition of the remaining capital and voting rights (minority shares purchase commitment – with cross puts and calls) will take place in June 2025 for an amount between 0.6 and 0.9 times the 2024 recurring revenue.

The purchase price accounting was finalized. The debt to recognize the minority shares purchase commitment, measured at fair value, is recorded for a total amount of 2.5 million euros (classified as non-current liabilities).

Neteven has been fully consolidated since July 28, 2021.

Acquisition of Gerber

On June 1, 2021, Lectra finalized the acquisition of all outstanding shares of Gerber, for 173.9 million euros (after final determination of the transaction price) – financed through a 140-million-euro loan and the Group's available cash – plus 5 million newly issued Lectra shares to AIPCF VI LG Funding LP, Gerber's sole shareholder.

This strategic combination has led to the creation of a leading global Industry 4.0 player for the fashion, automotive and furniture markets.

Business combination – acquisition method

The purchase accounting (performed under IFRS 3) and the evaluation of its tax effects have been finalized. Some amounts, mainly corresponding to tax risks, were revised, resulting in a 6.4 million euros increase of the recorded goodwill. The following tables show the details of these revisions.

ASSETS

(in thousands of euros)	Initial amounts	Revision	Final amounts
Intangible assets	125,237	-	125,237
Leasing rights-of-use	15,942	-	15,942
Property, plant and equipment	4,045	-	4,045
Other non-current assets	2,133	-	2,133
Deferred tax assets	1,133	(24)	1,109
Total non-current assets	148,490	(24)	148,466
Inventories	17,267	(94)	17,173
Trade accounts receivable	29,572	-	29,572
Other current assets	3,384	-	3,384
Cash and cash equivalents	15,030	-	15,030
Total current assets	65,252	(94)	65,158
Total assets acquired	**213,742**	**(118)**	**213,624**

LIABILITIES

(in thousands of euros)	Initial amounts	Revision	Final amounts
Retirement benefit obligations	891	-	891
Non-current lease liabilities	18,015	-	18,015
Borrowings, non-current portion	-	-	-
Total non-current liabilities	18,906	-	18,906
Trade and other current payables	35,037	-	35,037
Deferred revenues	12,251	-	12,251
Current income tax liabilities	959	-	959
Current lease liabilities	3,642	-	3,642
Borrowings, current portion	-	-	-
Provisions for other liabilities and charges	3,538	6,260	9,798
Total current liabilities	55,427	6,260	61,687
Total liabilities assumed	**74,333**	**6,260**	**80,593**
Net assets and liabilities	**139,409**	**(6,378)**	**133,031**

(in thousands of euros)	Initial amount	Revision	Final amount
Net amount of assets acquired and liabilities assumed	139,409	(6,378)	133,031
Non-controlling interests	-	-	-
Acquisition price (after revision)	339,164	-	339,164
Goodwill valuation	**199,755**	**6,378**	**206,133**

Pro forma information

If Lectra had completed the acquisition on January 1, 2021, Gerber would have reported revenues for the twelve months of 2021 of 217.3 million US dollars (approximately 183.8 million euros), EBITDA before non-recurring items of 25.6 million US dollars (approximately 21.7 million euros) and net income of 2.9 million US dollars (approximately 2.4 million euros).

Acquisition of Retviews

In July 2019, the Group purchased the Belgian company Retviews and its Romanian subsidiary Retviews Bucharest SRL. The transaction involved the immediate acquisition of 70% of the capital and voting rights of Retviews for 8.0 million euros.

As initially planned, Lectra acquired in July 2020 an additional 10% of Retviews, for an amount of 1.0 million euros: 0.9 million euros paid out in July 2020 and the remainder in January 2021. Similarly, Lectra acquired in July 2021 another additional 10% of Retviews, for an amount of 1.5 million euros: 1.2 million euros paid out in July 2021 and the remainder in January 2022. Finally, in July 2022, Lectra acquired the remaining 10% of Retviews, for an amount of 1.4 million euros.

According to IAS 7, the payments appear in the statement of cash-flows, within the financing activities, under the caption “Change in share of interests in controlled entities”.

Moreover, the revaluation of the amount paid out for the remaining 10% in July 2022 against the amount outstanding in the statement of financial position until then (minority share purchase commitment) was made against equity – Group share.

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

There was no other change in the scope of consolidation during the first nine months of 2022, nor in 2021.

Non-consolidated entities

Three sales and service subsidiaries are not consolidated, their revenue being immaterial both separately and combined. At September 30, 2022, their combined revenue totaled 0.7 million euros, and their combined assets totaled 2.1 million euros. They had no financial debt outside of the Group. Most of the sales activity of these subsidiaries is billed directly by Lectra SA.

Transactions with these subsidiaries mainly concern purchases from Lectra SA for the purposes of their local operations, or charges and commissions billed to Lectra SA in order to cover their overheads when they act as agents. The amount concerned by these transactions was not significant at September 30, 2022.

4. OPERATING SEGMENTS INFORMATION

Nine months ended September 30, 2022 (in thousands of euros)	Northern Europe[1]	Southern Europe[2]	Americas	Asia-Pacific	Corporate	Total
Revenues	70,887	76,770	140,676	103,740	-	392,073
EBITDA before non-recurring items	7,740	13,597	6,260	8,358	38,939	74,894

Nine months ended September 30, 2021 (in thousands of euros)	Northern Europe[1]	Southern Europe[2]	Americas	Asia-Pacific	Corporate	Total
Revenues	46,765	60,713	81,993	72,558	-	262,029
EBITDA before non-recurring items	5,469	10,930	4,972	5,529	16,459	43,359

(1) This segment covers the following regions: Germany and Eastern Europe, United Kingdom, Benelux, Scandinavia, Baltic countries, Turkey, Middle East and South Africa.
(2) This segment covers the following regions: France, Italy, Spain, Portugal and North Africa.

The 2022 amounts include the impacts of Gerber (acquisition on June 1, 2021), as well as Neteven (acquisition on July 28, 2021) and Gemini (acquisition on September 27, 2021).

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

5. CONSOLIDATED CASH FLOW SUMMARY

Nine months ended September 30, 2022 (in thousands of euros)	Cash and cash equivalents	Financial debts	Net cash
Free cash flow before non-recurring items	31,579	-	31,579
Non-recurring items included in free cash flow	(2,609)	-	(2,609)
Proceeds from issuance of ordinary shares[1]	600	-	600
Proceeds from issuance of ordinary shares to non controlling interests[2]	490	-	490
Sale and purchase of treasury shares[3]	(881)	-	(881)
Acquisition cost of companies purchased[2]	(5,023)	-	(5,023)
Change in share of interests in controlled entities[4]	(1,714)	-	(1,714)
Dividend paid	(13,588)	-	(13,588)
Change in borrowings	(21,000)	21,000	-
Amortized cost of borrowings	-	(247)	(247)
Impact of currency variations	4,009	-	4,009
Change in cash position for the period	(8,137)	20,753	12,616
Cash position at December 31, 2021	130,586	(139,386)	(8,800)
Cash position at September 30, 2022	122,449	(118,633)	3,816
Change in cash position for the period	(8,137)	20,753	12,616

(1) Resulting solely from the exercise of stock options.
(2) Amounts related to the business combination with Glengo in June 2022 (see note 3).
(3) Carried out solely under the liquidity agreement administered by Exane BNP Paribas (see note 7).
(4) Payments for the staggered acquisitions of additional 10% of Retviews (see note 3).

Free cash flow before non-recurring items at September 30, 2022, was 31.6 million euros. When adding non-recurring cash-outs for 2.6 million euros, incurred for costs relating to the acquisition of Gerber in 2021 and the situation in Ukraine and Russia, free cash flow amounted to 29.0 million euros.

This figure results from a combination of 41.5 million euros in cash flows provided by operating activities (including an increase in working capital of 20.9 million euros) and capital expenditures of 5.1 million euros. The part of the research tax credit for the first nine months of 2022, not paid and not deducted from the corporate income tax due by Lectra SA was almost nil – see note 6 hereafter. Finally, the repayment of lease liabilities (according to IFRS 16), for 7.5 million euros, was taken into account.

The variation in working capital is explained as follows:

- +15.8 million euros corresponding to the increase in inventories, following the pickup in activity, 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;
- +8.4 million euros arising from the payment of the variable portion of salaries for the Group in respect of fiscal year 2021 paid mainly in 2022, net from the accrual recognized in the first nine months of 2022 that will be paid in 2023;
- −3.9 million euros arising from the increase in deposits received for customer orders;
- +1.9 million euros arising from the decrease in trade accounts payable;
- −0.3 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);
- −1.0 million euros arising from the changes in other current assets and liabilities; taken individually, these changes are all immaterial.

The working capital at September 30, 2022 was negative at 13.4 million euros. It comprised the current portion (5.5 million euros) of the 24.6 million euros receivable on the French tax administration in respect of the research and innovation tax credits, which has not been received and has not been deducted from the corporate income tax.

6. RESEARCH TAX CREDIT AND INNOVATION TAX CREDIT

When the research tax credit applicable in France recognized in the year cannot be deducted from the corporate income tax for Lectra, it is treated as a receivable on the French tax administration. If unused in the ensuing three years, it is repaid to the Company in the course of the fourth year. For Neteven, the research and innovation tax credits are treated as a receivable on the French tax administration, repaid to the company in the course of the following year.

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

The research tax credit (5.6 million euros) for the first nine months of 2022 was accounted for but not received.

Thus, at Septmeber 30, 2022, the Group held a 24.6 million euros receivable on the French tax administration (of which 19.0 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: for 2022 (50 thousand euros), 2021 (6.0 million euros), 2020 (7.8 million euros), 2019 (5.2 million euros) and 2018 (5.0 million euros);

– the remaining amount of the research and innovation tax credits, after deduction from the corporate income tax due by Neteven for 2022 (0.2 million euros) and 2021 (0.3 million euros).

In light of its estimates of tax credits and corporate income tax for the next three fiscal years, Lectra does not expect to make any payment in respect of corporate income tax, from which will be deducted in full the research tax credit of each fiscal year. Thus, it should receive the reimbursement of the outstanding balance of these non-deducted tax credits as follows: 2022 (in respect of the 2018 tax credit), 2023 (in respect of the 2019 tax credit), 2024 (in respect of the 2020 tax credit), 2025 (in respect of the 2021 tax credit) and 2026 (in respect of the 2022 tax credit). This situation will last for as long as the amount of the annual tax credits exceeds the amount of income tax payable.

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

7. TREASURY SHARES

Since January 1, 2022, the Company has purchased 246,257 shares and sold 219,196 shares at an average price of €37.13 and €37.69 respectively under the liquidity agreement administered by Exane BNP Paribas.

At September 30, 2022, the Company held 34,096 Lectra shares (i.e. 0.09% of the share capital) with an average purchase price of €31.29 entirely under the liquidity agreement.

8. CASH AND CASH EQUIVALENTS AND NET CASH

(in thousands of euros)	September 30, 2022	December 31, 2021
Available cash	97,426	96,698
Cash equivalents	25,023	33,888
Borrowings and financial debts	(118,633)	(139,386)
Net cash / (net debt)	3,816	(8,800)

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

Until May 31, 2021, the Group had no borrowings or financial debts. Then on June 1, 2021, it took out a 140-million-euro loan from three banks. This loan is with a five-year maturity, payable by four yearly instalments of 15% and 40% *in fine*. It bears interest at the 3-month Euribor rate (with a 0% floor), to which a margin is added, depending on a leverage ratio and set at 85 base points for the first year and 75 base points for the second one.

A first instalment of 21.0 million euros was paid back on June 1, 2022.

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

At September 30, 2022, the maturity of the loan was as follows:

(in thousands of euros)	September 30, 2022	December 31, 2021
Short term – less than one year	21,193	21,102
Long term – more than one year, and less than five years	97,440	118,284
Total	118,633	139,386

9. FOREIGN EXCHANGE RISK

During the first nine months of 2022, the average parity between the US dollar and the euro was $1.06/€1.

Exchange risk hedging instruments

For Lectra's legacy entities, the Group's currency risk hedging policy is unchanged relative to December 31, 2021. Since July 2022, the Company also hedges the inter-company balance sheet positions between Gerber's legacy entities.

Exchange risk hedging instruments at September 30, 2022 were comprised of forward sales or purchases of foreign currencies (mainly US dollar) for a net total equivalent value (sales minus purchases) of 10.9 million euros, intended to hedge existing balance sheet positions. Thus, the Company has hedged almost all its balance sheet positions.

Moreover, the Company has not hedged its exposure to currency rates for the rest of 2022.

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, 2021, exchange rates for the relevant currencies, in particular $1.13/€1. The sensitivity to a change in exchange rates takes past acquisitions into account.

In view of the estimated share of revenues and costs denominated in US dollars or in currencies correlated with the US dollar, a 5-cent fall in the euro against the US dollar (leading to an annual average exchange rate of $1.08/€1) would mechanically increase 2022 annual revenues by approximately 11 million euros and annual EBITDA before non-recurring items by 3.6 million euros. Conversely, a 5-cent appreciation of the euro against the US dollar (i.e. $1.18/€1) would mechanically reduce annual revenues and EBITDA before non-recurring items by the same amounts.