LECTRA

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS FOR FIRST QUARTER 2021

Dear Shareholders,

We report below on Lectra Group's business activity and consolidated financial statements for the first quarter ending March 31, 2021.

Detailed comparisons between 2021 and 2020 are based on 2020 exchange rates unless otherwise stated.

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 (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.

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

The detailed tables and like-for-like changes in the orders for new systems, in revenues, and in the income statements for the first quarter are provided in the additional information of this report, starting on page 7.

1. RESULTS OF OPERATIONS FOR Q1 2021

Negative impact of currency changes

With an average exchange rate of $1.21/€1 in Q1, the US dollar was down 9% compared to Q1 2020 and the yuan declined by 2% against the euro. Currency changes mechanically decreased revenues by 2.8 million euros (-4%) and income from operations before non-recurring items by 1.7 million euros (-17%) at actual exchange rates, compared to like-for-like figures.

Strong rebound in orders

After the year 2020 that was broadly affected by the COVID-19 crisis, Q1 2021 confirmed the improvement observed at the end of 2020, despite the persistent consequences of the health crisis, particularly in Europe.

This was shown in orders for perpetual software licenses, equipment and accompanying software, and non-recurring services (25.9 million euros), which were up 40% compared to Q1 2020, which had suffered from the initial impacts of the containment measures put in place by China and then by many other countries.

As for the annual value of new software subscription orders (0.8 million euros), it increased by 25%.

Geographically, the improvement in business activity was contrasted across regions: orders for perpetual software licenses, equipment and accompanying software, and non-recurring services were 115% higher in Asia-Pacific, 43% higher in the Americas, but only 6% higher in Europe.

Growth in revenues, doubling of income from operations before non-recurring items

Revenues (66.7 million euros) increased by 9% compared to Q1 2020. At actual exchange rates, they increased by 5%.

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 (25.1 million euros) were up 19% (+14% at actual exchange rates). They include mainly:

- perpetual software licenses (2.1 million euros), which decreased by 30% and accounted for 3% of revenues (5% in 2020);
- equipment and accompanying software (20.2 million euros), which increased by 35% and accounted for 30% of revenues (25% in 2020);
- training and consulting (2.4 million euros), which decreased by 11% and accounted for 4% of revenues (4% in 2020).

At March 31, 2021, the order backlog for perpetual software licenses, equipment and accompanying software, as well as training and consulting amounted to 25.1 million euros. It increased by 0.8 million euros compared to December 31, 2020, and by 8.8 million euros compared to March 31, 2020, like-for-like. At actual exchange rates, the increases came to 1.3 million euros and 8.2 million euros, respectively.

Revenues from recurring contracts, consumables and parts

Revenues from recurring contracts, which represented 37% of revenues, amounted to 24.7 million euros, a 3% increase.

The breakdown of this revenue component was as follows:

- software subscriptions (1.4 million euros), up 95%, represented 2% of revenues;
- software maintenance contracts (8.9 million euros), down 5%, represented 13% of revenues;
- equipment and accompanying software maintenance contracts (14.4 million euros), up 3%, represented 22% of revenues.

In parallel, revenues from consumables and parts (16.8 million euros) were up 7%. They represented 25% of revenues (26% in Q1 2020).

Overall, recurring revenues (41.6 million euros) were up 4%.

Gross profit

Gross profit amounted to 48.5 million euros, up 7% compared to 2020.

The gross profit margin came to 72.7%, down 1.7 percentage points relative to 2020 (-2.4 percentage points at actual exchange rates). This decrease stems primarily from the evolution of the product mix, and specifically from the strong growth in equipment and accompanying software revenues.

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

Overhead costs

Total overhead costs were 40 million euros, down 4% compared to 2020. The breakdown is as follows:

- 35.9 million euros in fixed overhead costs (-7%);
- 4.1 million euros in variable costs (+34%).

At actual exchange rates, total overhead costs decreased by 6%.

Research and development costs (8.4 million euros), which are fully expensed in the period and included in fixed overhead costs, represented 12.6% of revenues (8.5 million euros and 13.4% of revenues in Q1 2020). After deducting the research tax credit applicable in France and grants received, net research and development costs totaled 6.2 million euros (6.3 million euros in 2020).

Income from operations before non-recurring items and net income

Income from operations before non-recurring items amounted to 8.5 million euros, up 100% compared to Q1 2020, which had suffered from the initial effects of the health crisis (+66% at actual exchange rates).

The operating margin before non-recurring items was 12.7%, up 6.6 percentage points like-for-like and 4.7 percentage points at actual exchange rates.

After a non-recurring charge of 1 million euros recognized in Q1 2021 for fees and other costs relating to the proposed acquisition of the company Gerber Technology, income from operations came to 7.4 million euros.

The EBITDA before non-recurring items totaled 11.4 million euros, up 64% (+42% at actual exchange rates). The EBITDA margin before non-recurring items was 17% (12.6% in Q1 2020).

Net financial income and expense was negligible. Foreign exchange gains and losses generated a net gain of 0.6 million euros.

After an income tax expense of 2 million euros, net income amounted to 6 million euros, up 77% at actual exchange rates.

Net earnings per share were €0.19 on basic capital and €0.18 on diluted capital (€0.11 on basic capital and €0.10 on diluted capital in Q1 2020).

Strong growth in free cash flow

Free cash flow before non-recurring items totaled 9.8 million euros (3.7 million euros for Q1 2020).

This sharp rise is attributable to the combination of higher income and a larger reduction in working capital requirement in Q1 2021 (3.3 million euros) than in Q1 2020.

After disbursement of 0.4 million euros in respect of fees and other related expenses in connection with the proposed acquisition of the company Gerber Technology, free cash-flow came to 9.5 million euros.

Particularly robust balance sheet – positive net cash position of 145 million euros

At March 31, 2021, consolidated shareholders' equity amounted to 199.9 million euros (192.2 million euros at December 31, 2020).

The Group is debt-free. Cash and cash equivalents, as well as net cash position, totaled 145.4 million euros (134.6 million euros at December 31, 2020).

The working capital requirement at March 31, 2021 was a negative 32 million euros. It comprised the current portion (4.5 million euros) of the 24.3 million euros receivable on the French tax administration (*Trésor public*), corresponding to the research tax credits recognized since fiscal year 2017. The portion to be repaid in over one year is carried on the balance sheet under other non-current assets (see note 6 below).

2. PROPOSED ACQUISITION OF GERBER TECHNOLOGY

On February 8, 2021, Lectra announced having entered into a Memorandum of Understanding to acquire the entire capital and voting rights of the US-based company Gerber Technology. It then announced, on March 25, 2021, having entered into an acquisition agreement and plan of merger with AIPCF VI LG Funding LP ("AIPCF VI LG"), an affiliate of American Industrial Partners (AIP), for the transfer of ownership of Gerber Technology to Lectra, subsequent to the conclusion of the consultation procedure with the French work council of Lectra and the approval of the transaction by Lectra's Board of Directors, held on March 25, 2021.

Subject to regulatory approval in the United States and a favorable vote by Lectra's shareholders, Lectra would acquire all outstanding shares of Gerber Technology on a cash-free debt-free basis for an upfront payment of 175 million euros – through a combination of cash and debt – plus 5 million newly issued Lectra shares to AIPCF VI LG, Gerber Technology's sole shareholder.

Lectra shareholders will be invited to vote to approve the transaction and the issuance of 5 million new Lectra shares reserved for AIPCF VI LG at an Extraordinary Shareholders' Meeting, which will be held on June 1, 2021.

The acquisition will strengthen Lectra's position in the market and facilitate continued expansion of its Industry 4.0 technology offers, thus enabling customers to substantially improve both productivity and profitability. The strategic combination of Gerber Technology and Lectra will create a premier advanced technology partner, able to quickly meet changing customer needs and deliver even more value through seamlessly integrated solutions. Together, the two companies will have a large installed base of product development software and automated cutting solutions in operation, with a worldwide presence and a long list of prestigious customers.

3. SHARE CAPITAL – OWNERSHIP – SHARE PRICE PERFORMANCE

Change in share capital

At March 31, 2021, the share capital came to €32,598,425, divided into 32,598,425 shares with a par value of €1.00.

Share capital increased by €86,774 (with a total share premium of €831,782) due to the creation of 86,774 shares since January 1, 2021, resulting from the exercise of stock options.

Main shareholders

No crossing of statutory thresholds has been reported to the Company since January 1, 2021.

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

- Daniel Harari holds 17% of the capital and voting rights;
- Kabouter Management LLC (United States), acting on behalf of investment funds that it manages, holds more than 10% (but less than 15%) of the capital and the voting rights;
- Allianz SE (Germany) through French companies it controls, Artisan Partners Limited Partnership (United States) and Kempen Oranje Participaties (The Netherlands), each hold more than 5% (but less than 10%) of the capital and the voting rights.

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

Treasury shares

At March 31, 2021, the Company held 0.07% of its own shares in treasury, within the framework of the liquidity agreement contracted with Exane BNP Paribas.

Share price performance and trading volumes

The Company's share price at March 31, 2021, was €28.20, up 13% compared to December 31, 2020 (€25.00). During Q1, it reached a low of €23.15 on January 28 and a high of €33.40 on February 11.

The CAC 40 index, CAC All-Tradable index and the CAC Mid & Small index increased respectively by 9%, 9% and 8% for the first three months of 2021.

According to Bloomberg, 4 million shares were traded on all platforms in Q1 2021 (5.7 million in Q1 2020), including 29% on Euronext.

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

4. SIGNIFICANT POST-CLOSING EVENTS

No significant event has occurred.

5. FINANCIAL CALENDAR

The 2020 Financial Report was published on Lectra's website on March 30, 2021.

The Annual Shareholders' Meeting will be held on April 30, 2021, without the physical presence of shareholders. It will be broadcasted live and a replay will subsequently be available in French on the Company's website: https://www.lectra.com/en/investors/shareholders-meetings

The first-half 2021 financial results will be published on July 29, 2021 after the close of trading on Euronext Paris.

6. BUSINESS TRENDS AND OUTLOOK

In its 2019 Financial Report, published February 11, 2020, Lectra had reported its long-term vision and its new strategic roadmap for the 2020-2022 period. While the COVID-19 epidemic and its consequences had a very significant impact in 2020, most of the objectives of this 2020-2022 strategic roadmap remain valid, and particularly the acceleration towards Industry 4.0.

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

Financial objectives for 2022

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

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

Lectra has set itself the 2022 objective of returning to the level of combined revenue achieved by the two groups in 2019, which came to 482 million euros, and generating an EBITDA margin before non-recurring items of between 17% and 20% by adding the synergies expected from this acquisition to the operational performance of the two groups.

2021 outlook and financial objectives

The uncertainty surrounding the evolution of the pandemic and its consequences on the macroeconomic environment, together with the degraded financial situation of the Group's customers continues to weigh on customers' investment decisions. The continuation of this situation could postpone or constrain the rebound in orders for new systems. The results of the first quarter of 2021 show that this continues to be the case notably in Europe.

The Group reported its 2021 objectives before taking into account the acquisition of Gerber Technology, namely, to achieve revenues in the range of 250 to 268 million euros (+9% to +17% like-for-like) and income from operations before non-recurring items in the range of 27 to 34 million euros (+27% to +60% like-for-like).

These scenarios for 2021 have been prepared on the basis of the closing rates on December 31, 2020, and particularly $1.23/€1 (compared to the average rate of $1.14/€1 in 2020).

The results at March 31, 2021 are in line with plans.

Revised 2021 objectives that take into account the acquisition of Gerber Technology, which is expected to be finalized on June 1, 2021, will be reported on July 29 with the release of the financial statements for the second quarter and first half of 2021.

Confidence in growth prospects for the short and medium-term

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

The Board of Directors
April 29, 2021

ADDITIONAL INFORMATION – FIRST QUARTER 2021

ORDERS FOR NEW SYSTEMS – LIKE-FOR-LIKE

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

	Three Months Ended March 31						
	2021			2020		Changes 2021/2020	
(in thousands of euros)	Actual	%	At 2020 exchange rates	Actual	%	Actual	Like-for-like
Perpetual software licenses	2,199	8%	2,278	2,665	14%	-18%	-15%
Equipment and accompanying software	20,663	80%	21,536	13,544	70%	+53%	+59%
Training and consulting services	2,625	10%	2,696	2,564	13%	+2%	+5%
Miscellaneous	449	2%	458	499	3%	-10%	-8%
Total	25,935	100%	26,968	19,273	100%	+35%	+40%
€ / $ average parity	*1.21*		*1.10*	*1.10*			

New software subscriptions

	Three Months Ended March 31						
	2021			2020		Changes 2021/2020	
(in thousands of euros)	Actual	%	At 2020 exchange rates	Actual	%	Actual	Like-for-like
Annual value of new software subscriptions	767	na	782	625	na	+23%	+25%
€ / $ average parity	*1.21*		*1.10*	*1.10*			

BREAKDOWN OF REVENUES – LIKE-FOR-LIKE

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

Revenues by region

	Three Months Ended March 31						
	2021			2020		Changes 2021/2020	
(in thousands of euros)	Actual	%	At 2020 exchange rates	Actual	%	Actual	Like-for-like
Europe, of which:	25,200	38%	25,317	27,189	43%	-7%	-7%
- France	4,656	7%	4,652	3,881	6%	+20%	+20%
Americas	17,796	27%	19,652	18,084	28%	-2%	+9%
Asia-Pacific	18,751	28%	19,501	13,153	21%	+43%	+48%
Other countries	4,939	7%	5,045	5,089	8%	-3%	-1%
Total	66,686	100%	69,514	63,515	100%	+5%	+9%
€ / $ average parity	*1.21*		*1.10*	*1.10*			

Revenues by type of business

	Three Months Ended March 31						
	2021			2020		Changes 2021/2020	
(in thousands of euros)	Actual	%	At 2020 exchange rates	Actual	%	Actual	Like-for-like
Revenues from perpetual software licenses, equipment and accompanying software, and non-recurring services, of which:	25,125	38%	26,172	22,008	35%	+14%	+19%
- Perpetual software licenses	2,062	3%	2,124	3,042	5%	-32%	-30%
- Equipment and accompanying software	20,166	30%	21,069	15,629	25%	+29%	+35%
- Training and consulting services	2,448	4%	2,521	2,838	4%	-14%	-11%
- Miscellaneous	449	1%	458	499	1%	-10%	-8%
Recurring revenues, of which:	41,561	62%	43,342	41,507	65%	0%	+4%
- Software subscriptions	1,432	2%	1,457	746	1%	+92%	+95%
- Software maintenance contracts	8,876	13%	9,086	9,606	15%	-8%	-5%
- Equipment and accompanying software maintenance contracts	14,418	22%	15,090	14,639	23%	-2%	+3%
- Consumables and parts	16,834	25%	17,709	16,516	26%	+2%	+7%
Total	66,686	100%	69,514	63,515	100%	+5%	+9%
€ / $ average parity	*1.21*		*1.10*	*1.10*			

CONSOLIDATED INCOME STATEMENT – LIKE-FOR-LIKE

Income statement at constant exchange rates

	Three months ended March 31				
	2021		2020	Changes 2021/2020	
(in thousands of euros)	Actual	At 2020 exchange rates	Actual	Actual	Like-for-like
Revenues	66,686	69,514	63,515	+5%	+9%
Cost of goods sold	(18,228)	(18,477)	(15,846)	+15%	+17%
Gross profit	48,458	51,037	47,669	+2%	+7%
(in % of revenues)	72.7%	73.4%	75.1%	-2.4 points	-1.7 points
Research and development	(6,229)	(6,229)	(6,291)	-1%	-1%
Selling, general and administrative expenses	(33,768)	(34,629)	(36,286)	-7%	-5%
Income from operations before non-recurring items	8,461	10,179	5,092	+66%	+100%
(in % of revenues)	12.7%	14.6%	8.0%	+4.7 points	+6.6 points
Non-recurring expenses	(1,014)	(1,014)	-	na	na
Income from operations	7,447	9,166	5,092	+46%	+80%
(in % of revenues)	11.2%	13.2%	8.0%	+3.2 points	+5.2 points
Income before tax	8,043	9,761	4,642	+73%	+110%
Income tax	(2,041)	na	(1,254)	+63%	na
Net income	**6,002**	**na**	**3,388**	**+77%**	**na**
of which, Group share	**5,957**	**na**	**3,384**	**+76%**	**na**
of which, Non-controlling interests	45	na	4	na	na
Income from operations before non-recurring items	8,461	10,179	5,092	+66%	+100%
+ Net depreciation and amortization of non-current assets	2,901	2,954	2,907	0%	+2%
EBITDA before non-recurring items	11,361	13,133	7,998	+42%	+64%
(in % of revenues)	17.0%	18.9%	12.6%	+4.4 points	+6.3 points
€ / $ average parity	*1.21*	*1.10*	*1.10*		

Company certification of the first quarter 2021 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 29, 2021

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

(in thousands of euros)	March 31, 2021	December 31, 2020	March 31, 2020
Goodwill	46,964	46,528	47,529
Other intangible assets	4,839	4,665	4,144
Leasing rights-of-use	14,481	15,429	17,539
Property, plant and equipment	24,466	25,067	26,972
Other non-current assets	22,547	20,992	19,189
Deferred tax assets	7,595	7,950	8,965
Total non-current assets	120,892	120,631	124,338
Inventories	30,877	29,519	33,107
Trade accounts receivable	42,893	43,009	50,533
Other current assets	15,416	13,076	18,640
Cash and cash equivalents	145,381	134,626	123,982
Total current assets	234,567	220,230	226,262
Total assets	**355,459**	**340,861**	**350,600**

EQUITY AND LIABILITIES

(in thousands of euros)	March 31, 2021	December 31, 2020	March 31, 2020
Share capital	32,598	32,512	32,158
Share premium	20,219	19,387	16,184
Treasury shares	(654)	(343)	(835)
Currency translation adjustments	(10,449)	(11,293)	(9,421)
Retained earnings and net income	157,986	151,750	148,644
Non-controlling interests	205	160	163
Total equity	199,905	192,173	186,893
Retirement benefit obligations	12,057	11,995	11,265
Non-current lease liabilities	9,727	10,434	12,516
Minority shares purchase commitment	2,165	2,165	4,333
Borrowings, non-current portion	-	-	-
Total non-current liabilities	23,949	24,594	28,114
Trade and other current payables	59,130	53,657	61,778
Deferred revenues	58,863	56,690	59,041
Current income tax liabilities	3,189	2,958	4,446
Current lease liabilities	5,144	5,411	5,464
Minority shares purchase commitment	2,165	2,332	2,167
Borrowings, current portion	-	-	-
Provisions for other liabilities and charges	3,114	3,046	2,697
Total current liabilities	131,605	124,094	135,593
Total equity and liabilities	**355,459**	**340,861**	**350,600**

CONSOLIDATED INCOME STATEMENT

(in thousands of euros)	Three months ended March 31, 2021	Three months ended March 30, 2020
Revenues	66,686	63,515
Cost of goods sold	(18,228)	(15,846)
Gross profit	48,458	47,669
Research and development	(6,229)	(6,291)
Selling, general and administrative expenses	(33,768)	(36,286)
Income from operations before non-recurring items	8,461	5,092
Non-recurring expenses [(1)]	(1,014)	-
Income from operations	7,447	5,092
Financial income	107	49
Financial expenses	(111)	(175)
Foreign exchange income (loss)	600	(323)
Income before tax	8,043	4,642
Income tax	(2,041)	(1,254)
Net income	**6,002**	**3,388**
of which, Group share	**5,957**	**3,384**
of which, Non-controlling interests	45	4

(in euros)		
Earnings per share, Group share:		
- basic	0.19	0.11
- diluted	0.18	0.10
Shares used in calculating earnings per share		
- basic	32,127,231	32,102,299
- diluted	32,579,110	32,415,201

(in thousands of euros)		
Income (loss) from operations before non-recurring items	8,461	5,092
+ Net depreciation and amortization of non-current assets	2,901	2,907
EBITDA before non-recurring items	11,361	7,998

(1) This amount was recognized in 2021 for fees and other costs relating to the proposed acquisition of Gerber Technology.

STATEMENT OF COMPREHENSIVE INCOME, GROUP SHARE [(2)]

(in thousands of euros)	Three months ended March 31, 2021	Three months ended March 30, 2020
Net income, Group share	5,957	3,384
Currency translation adjustments	744	101
Tax effect	100	(41)
Other comprehensive income to be reclassified in net income	844	60
Remeasurement of the net liability arising from defined benefits pension plans	-	-
Tax effect	-	-
Other comprehensive income not to be reclassified in net income	0	0
Total other comprehensive income	844	60
Comprehensive income, Group share	**6,801**	**3,444**

(2) The Group considered as non-material the information regarding the comprehensive income of the non-controlling interests (20% of Retviews minority shares only since July 2020, and 30% before that – 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, 2021	Three months ended March 31, 2020
I - OPERATING ACTIVITIES		
Net income	6,002	3,388
Net depreciation and amortization (non-current assets)	2,901	2,907
Net depreciation and provisions (current assets)	604	718
Non-cash operating expenses	(57)	370
Loss (profit) on sale of fixed assets	(17)	2
Changes in deferred income taxes	494	(562)
Changes in inventories	(1,672)	(2,704)
Changes in trade accounts receivable	2,363	7,085
Changes in other current assets and liabilities	2,644	(2,608)
Changes in other operating non-current assets	(1,694)	(2,238)
Net cash provided by (used in) operating activities	11,568	6,357
II - INVESTING ACTIVITIES		
Purchases of intangible assets	(546)	(497)
Purchases of property, plant and equipment	(357)	(866)
Proceeds from sales of intangible and tangible assets	18	-
Acquisition cost of companies purchased (1)	(167)	-
Purchases of financial assets (2)	(1,696)	(1,462)
Proceeds from sales of financial assets (2)	1,952	1,693
Net cash provided by (used in) investing activities	(796)	(1,132)
III - FINANCING ACTIVITIES		
Proceeds from issuance of ordinary shares	919	441
Purchases of treasury shares	(1,937)	(1,785)
Sales of treasury shares	1,695	1,551
Repayment of lease liabilities	(1,485)	(1,516)
Net cash provided by (used in) financing activities	(808)	(1,311)
Increase (decrease) in cash and cash equivalents	**9,964**	**3,914**
Cash and cash equivalents at opening	134,626	120,558
Increase (decrease) in cash and cash equivalents	9,964	3,914
Effect of changes in foreign exchange rates	791	(490)
Cash and cash equivalents at closing	145,381	123,982
Net cash provided by (used in) operating activities	11,568	6,357
+ Net cash provided by (used in) investing activities	(796)	(1,132)
- Acquisition cost of companies purchased	167	-
- Repayment of lease liabilities	(1,485)	(1,516)
Free cash flow before non-recurring items	9,454	3,709
Non-recurring items of the free cash flow	(374)	-
Free cash flow	9,828	3,709
Income tax (paid) / reimbursed, net	(660)	(485)
Interest paid on lease liabilities	(28)	(45)
Interest paid	-	-

(1) In 2021, this amount corresponds to the amount that remained to be paid for the purchase of an additional 10% of Retviews, the majority of which was paid in Q3 2020 (see note 3 hereafter).
(2) 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.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in thousands of euros, except for par value per share expressed in euros)	Share capital Number of shares	Share capital Par value per share	Share capital Share capital	Share premium	Treasury shares	Currency translation adjustments	Retained earnings and net income	**Equity, Group share**	Non controlling interests	**Total equity**
Balance at January 1, 2020	32,099,100	1.00	32,099	15,802	(698)	(9,481)	145,141	182,863	159	183,022
Net income							3,384	3,384	4	3,388
Other comprehensive income						60	-	60		60
Comprehensive income						60	3,384	3,444	4	3,448
Exercised stock options	59,029	1.00	59	382				441		441
Fair value of stock options							184	184		184
Sale (purchase) of treasury shares					(136)			(136)		(136)
Profit (loss) on treasury shares							(65)	(65)		(65)
Balance at March 31, 2020	32,158,129	1.00	32,158	16,184	(835)	(9,421)	148,644	186,730	163	186,893
Balance at January 1, 2020	32,099,100	1.00	32,099	15,802	(698)	(9,481)	145,141	182,863	159	183,022
Net income							17,529	17,529	49	17,578
Other comprehensive income						(1,812)	(232)	(2,044)		(2,044)
Comprehensive income						(1,812)	17,297	15,485	49	15,534
Exercised stock options	412,551	1.00	413	3,585				3,998		3,998
Fair value of stock options							955	955		955
Sale (purchase) of treasury shares					355			355		355
Profit (loss) on treasury shares							29	29		29
Integration of Retviews and minority shares purchase commitment (1)							1,172	1,172	(48)	1,124
Dividend paid							(12,844)	(12,844)		(12,844)
Balance at December 31, 2020	32,511,651	1.00	32,512	19,387	(343)	(11,293)	151,750	192,013	160	192,173
Net income							5,957	5,957	45	6,002
Other comprehensive income						844	-	844		844
Comprehensive income						844	5,957	6,801	45	6,846
Exercised stock options	86,774	1.00	87	832				919		919
Fair value of stock options							227	227		227
Sale (purchase) of treasury shares					(311)			(311)		(311)
Profit (loss) on treasury shares							51	51		51
Balance at March 31, 2021	**32,598,425**	**1.00**	**32,598**	**20,219**	**(654)**	**(10,449)**	**157,985**	**199,700**	**205**	**199,905**

(1) This amount stems from the acquisition of an additional 10% of Retviews in July 2020 (see note 3 hereafter).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT MARCH 31, 2021

1. BUSINESS ACTIVITY

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

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

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

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

Business model

Lectra's business model is based on three pillars:

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

Worldwide presence

Since the mid-1980s Lectra, with headquarters located in France, has established its global footprint. The Group supports customers through its unrivalled network of 34 sales and services' subsidiaries, from which Lectra generates over 90% of revenues.

Lectra also has an International Advanced Technology & Conference Center in Bordeaux-Cestas (France) where the company welcomes customers from all over the world, and five international Call Centers, based in Bordeaux-Cestas (France), Madrid (Spain), Milan (Italy), Atlanta (USA) and Shanghai (China).

Customers

From global corporations to smaller national 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

The Group markets end-to-end integrated technology solutions: software, automated cutting equipment, data and services. The distinctive feature of Lectra's offer is to integrate business expertise with the best industrial practices for each market sector. All Lectra software and equipment, including electronics, are designed and developed in-house.

Equipment is assembled from parts produced by a network of subcontractors and tested in the company's industrial facilities in Bordeaux-Cestas (France). Since 2007, cutting machines on the market incorporate hundreds of sensors which connect them to Lectra's Call Centers, enabling preventive and predictive maintenance.

The services include technical maintenance, support, training and consulting.

The Group also sells consumables and parts for its equipment.

People

Lectra's strength lies in the skills and experience of more than 1,700 employees worldwide. Thanks to Lectra's global presence the Group is geographically close to its customers, wherever they are in the world.

2. SUMMARY OF ACCOUNTING RULES AND METHODS

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

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

The condensed consolidated financial statements at March 31, 2021, have been prepared in accordance with IAS 34 – *Interim Financial Statements*. They do not comprise all the financial disclosures required in the complete financial statements and should be read in conjunction with the Group's consolidated financial statements and corresponding notes for the fiscal year 2020, available on lectra.com.

The consolidated financial statements have been prepared in accordance with the same rules and methods as those applied in the preparation of the 2020 financial statements. They have been prepared under the responsibility of the Board of Directors at its meeting of April 29, 2021 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, 2021 have no impact on the Group's financial statements. The Group has not early adopted any other standards, amendments or interpretations whose application is not required for fiscal years starting from January 1, 2021.

Seasonality

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

Critical accounting estimates and judgments

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

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

Revenues

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

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

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

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

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

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

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

Revenue from subscription sales of software is spread over the duration of the customer's commitment.

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

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

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

Equipment is designed, made and assembled by the Group from parts produced by a network of subcontractors. Lectra acts as principal in the sale of equipment insofar as parts only constitute inputs used in the manufacturing of finished goods sold to customers.

Cost of goods sold

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

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

Research and development costs

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

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

Earnings per share

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

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

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

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

Performance indicators

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

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

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

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

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

EBITDA before non-recurring items

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

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

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

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

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

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

Lease liabilities (according to IFRS 16) do not affect performance as monitored by the Group.

Security ratio

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

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

Operating segments

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

Operating segments refer to the major marketing regions that combine countries with similar economic characteristics in terms of type of product and service, customer type and distribution method. The regions concerned are: the Americas; Northern and Eastern Europe and Middle East; Southern Europe and North Africa; and Asia-Pacific. These regions are involved in sales and the provision of services to their customers. They do not perform any industrial activities or R&D. They draw on centralized competencies and a wide array of functions that are pooled among all of the regions, including marketing, business development, logistics, procurement, production, R&D, finance, legal affairs, human resources, information systems. All of these cross-divisional activities are reported as an additional operating segment referred to here as the 'Corporate' segment.

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

3. SCOPE OF CONSOLIDATION

At March 31, 2021, the Group's scope of consolidation comprised the parent company, Lectra SA, together with 31 fully-consolidated companies.

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

The acquisition of the remaining capital and voting rights will take place in two installments in July 2021 and July 2022 for the amounts of about 0.7 times 2021 revenues and 0.5 times 2022 revenues, respectively.

Following the payment, in January 2021, of the remaining price for the 2020 acquisition, the debt corresponding to the minority shares purchase commitment amounted to 4.3 million euros, of which 2.2 million euros classified as current liabilities and 2.2 million euros as non-current liabilities.

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

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

Three sales and service subsidiaries are not consolidated, their revenues being immaterial both separately and combined. At March 31, 2021, their combined revenues totaled 0.2 million euros, and their combined assets totaled 2.8 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 March 31, 2021.

4. OPERATING SEGMENTS INFORMATION

Three months ended March 31, 2021 (in thousands of euros)	Northern Europe (1)	Southern Europe (2)	Americas	Asia-Pacific	Corporate	Total
Revenues	12,063	17,025	17,796	19,801	-	66,686
Income (loss) from operations before non-recurring items	1,188	2,956	2,851	1,235	231	8,461

Three months ended March 31, 2020 (3) (in thousands of euros)	Northern Europe (1)	Southern Europe (2)	Americas	Asia-Pacific	Corporate	Total
Revenues	16,049	15,584	18,084	13,797	-	63,515
Income (loss) from operations before non-recurring items	1,515	1,980	1,726	281	(410)	5,092

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

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

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

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

Income from operations before non-recurring items, which is obtained by adding together the income for each segment, is identical to consolidated income from operations before non-recurring items shown in the Group's consolidated financial statements and therefore does not need to be reconciled.

5. CONSOLIDATED CASH FLOW SUMMARY

Three months ended March 31, 2021 (in thousands of euros)	Cash and cash equivalents	Financial debts	Net cash
Free cash flow before non-recurring items	9,828	-	9,828
Non-recurring items included in free cash flow	(374)	-	(374)
Proceeds from issuance of ordinary shares (1)	919	-	919
Sale and purchase of treasury shares (2)	(242)	-	(242)
Acquisition cost of companies purchased (3)	(167)	-	(167)
Impact of currency variations – other	791	-	791
Change in cash position for the period	10,755	-	10,755
Cash position at December 31, 2020	134,626	-	134,626
Cash position at March 31, 2021	145,381	-	145,381
Change in cash position for the period	10,755	-	10,755

(1) Resulting solely from the exercise of stock options.
(2) Carried out solely under the liquidity agreement administered by Exane BNP Paribas (see note 7).
(3) Payment of the remainder of the acquisition of an additional 10% of Retviews in 2020 (see note 3).

Free cash flow at March 31, 2021, was 9.5 million euros. This figure results from a combination of 11.6 million euros in cash flows provided by operating activities (including a decrease in working capital requirement of 3.3 million euros) and capital expenditures of 0.6 million euros. The cash flows provided by operating activities also comprised an increase in other operating non-current assets of 1.7 million euros (corresponding to the part of the Q1 2021 research tax credit, not paid and not deducted from the corporate income tax due by Lectra SA – see note 6 hereafter). Finally, the repayment of lease liabilities (according to IFRS 16), for 1.5 million euros, was taken into account.

Moreover, free cash flow included non-recurring cash-outs for 0.4 million euros, incurred for fees and other costs relating to the proposed acquisition of Gerber Technology. Restated by this amount, free cash flow before non-recurring items amounted to 9.8 million euros.

The variation in working capital is explained as follows:

- −2.4 million euros corresponding to the decrease in trade accounts receivable, following the cash receipt of a significant portion of the recurring contracts at the beginning of the year, usually yearly in advance (the variation in trade accounts receivable shown in the consolidated statement of cash flows includes 'Deferred revenues' in the statement of financial position, which for the most part comprises the share of recurring contracts billed but not yet recognized in revenues);
- +1.7 million euros corresponding to the increase in inventories;
- −0.8 million euros arising from the increase in trade accounts payable;
- −1.8 million euros arising from the changes in other current assets and liabilities; taken individually, these changes are all immaterial.

The working capital requirement at March 31, 2021 was negative at 32 million euros. It comprised the current portion (4.5 million euros) of the 24.3 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 ensuing three years, it is repaid to the company in the course of the fourth 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 (2.1 million euros) for Q1 2021 were accounted for but not received.

Thus, at March 31, 2021, Lectra SA held a 24.3 million euros receivable on the French tax administration (of which 19.8 million euros classified within other non-current assets). This solely comprised the remaining amount of the research tax credit, after deduction from the corporate income tax due by Lectra SA in the same year: for 2021 (1.7 million euros), 2020 (7.8 million euros), 2019 (5.2 million euros), 2018 (5 million euros), and 2017 (4.5 million euros).

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

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

7. TREASURY SHARES

Since January 1, 2021, the company has purchased 71,560 shares and sold 61,793 shares at an average price of €27.07 and €27.43 respectively under the liquidity agreement administered by Exane BNP Paribas.

At March 31, 2021, the company held 23,764 Lectra shares (i.e. 0.07% of the share capital) with an average purchase price of €27.50 entirely under the liquidity agreement.

8. CASH AND CASH EQUIVALENTS AND NET CASH

(in thousands of euros)	March 31, 2021	December 31, 2020
Available cash	120,381	99,626
Cash equivalents	25,000	35,000
Borrowings and financial debts	-	-
Net cash	145,381	134,626

The Group has no borrowings or financial debts. Thus, net cash was equal the sum of available cash and cash equivalents.

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

9. FOREIGN EXCHANGE RISK

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

In Q1 2021, the average parity between the US dollar and the euro was $1.21/€1.

Exchange risk hedging instruments

Exchange risk hedging instruments at March 31, 2021 were comprised of forward sales or purchases of foreign currencies (mainly US dollar) for a net total equivalent value (sales minus purchases) of 12.3 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 2021.

10. SENSITIVITY ANALYSIS

The sensitivity analyses below have been calculated before taking into account the Gerber Technology acquisition project.

Sensitivity of income from operations before non-recurring items to a change in revenues from new systems sales

Under the company's business model, each 1 million euros increase (or decrease) in revenues from new systems sales results in a rise (or fall) in income from operations before non-recurring items of approximately 0.45 million euros.

Sensitivity of revenues and income from operations before non-recurring items to a change in exchange rates

The sensitivity of revenues and income from operations before non-recurring items to a change in exchange rates was based on the December 31, 2020 exchange rates for the relevant currencies, in particular $1.23/€1.

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 $1.18/€1) would mechanically increase 2021 annual revenues by approximately 3.4 million euros and annual income from operations before non-recurring items by 2.2 million euros. Conversely, a 5-cent appreciation of the euro against the US dollar (i.e. $1.28/€1) would mechanically reduce annual revenues and income from operations before non-recurring items by the same amounts.

The parity is $1.21/€1 on the date of this report.

In addition to fluctuating against the US dollar and currencies strongly correlated with it, the euro also fluctuates against other currencies. These variations are frequently dissimilar both in direction (upward and downward) and in scale.