LECTRA

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS FOR FOURTH QUARTER AND FULL YEAR OF 2023

Dear Shareholders,

We report below on Lectra group's (the "Group") business activity and consolidated financial statements for the fourth quarter and full year ending December 31, 2023.

The Statutory Auditors have performed their auditing procedures on the financial statements for the year and their certification report will be issued after the Board of Directors meeting on February 28, 2024.

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

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

The detailed tables of orders for new systems, of revenues, and of the income statements for the fourth quarter and full year 2023 are provided in the additional information of this report, starting on page 13.

1. 2023: MIXED RESULTS

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

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

Results in line with revised objectives

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

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

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

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

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

2. SUMMARY FOR Q4 2023

With an average exchange rate of $1.08/€1 in Q4, the dollar was down 5% compared to Q4 2022 and the yuan declined by 7% against the euro. Currency changes mechanically decreased revenues by 3.9 million euros (-3%) and EBITDA before non-recurring items by 1.7 million euros (-8%) at actual exchange rates, compared to like-for-like figures.

In Q4, uncertainties continued to weigh on investment decisions by the Group's customers. Against this backdrop, orders for perpetual software licenses, equipment and accompanying software, and non-recurring services (38.3 million euros) were 19% lower than in Q4 2022. Orders for the first nine months of the year were down 29%.

The annual value of new subscriptions for software in Q4 came to 3.1 million euros, confirming the steady ramp-up in these sales (2.7, 2.8 and 2.2 million euros in Q1, Q2, and Q3, respectively). Orders were down 6% from Q4 2022, when several exceptionally high value orders were booked.

Q4 2023 revenues amounted to 119.3 million euros, down 5% compared to the same period of 2022. At actual exchange rates, revenues declined by 8%.

While revenues from perpetual software licenses, equipment and accompanying software, and non-recurring services decreased by 22%, recurring revenues increased by 5% due to the combination of a strong growth in recurring contracts (+8%), which continued to benefit from the growth in software subscription orders and the acceleration of synergies from the Gerber acquisition, and an increase (+2%) in revenues from consumables and parts.

EBITDA before non-recurring items was 19.8 million euros, down 8%. The EBITDA margin before non-recurring items decreased by 0.6 percentage points to 16.6% (-1.5 percentage points at actual exchange rates).

Free cash flow before non-recurring items came to 13.2 million euros (12.1 million euros in Q4 2022).

Insourcing of manufacturing in China previously performed by subcontractor

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

3. CONSOLIDATED FINANCIAL STATEMENTS FOR 2023

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

Orders

In a highly degraded environment, orders for perpetual software licenses, equipment and accompanying software, and non-recurring services (145.4 million euros) were down 26% compared to 2022. Orders for perpetual software licenses (14.0 million euros), equipment and accompanying software (111.1 million euros) and for training and consulting (15.9 million euros) decreased by 23%, 29% and 10% respectively.

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

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

Revenues

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

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

Revenues from perpetual software licenses, equipment and accompanying software, and non-recurring services (154.3 million euros) were down 24%. This item contributed 32% of revenues (40% in 2022), and included mainly:

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

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

Revenues from recurring contracts, consumables and parts

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

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

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

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

Gross profit

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

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

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

Overhead costs

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

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

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

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

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

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

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

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

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

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

Free cash flow

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

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

A particularly robust balance sheet

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

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

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

4. ASSESSMENT OF THE 2023-2025 STRATEGIC ROADMAP

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

The first strategic roadmap, which covered the 2017-2019 period, established the key fundamentals for the future of the Group. These included the successful integration into its new offers of the key technologies for Industry 4.0 (cloud computing, the Internet of Things, big data, and artificial intelligence.), the strengthening of the Executive Committee, the transformation of sales organizations into four main regions, and the launch of the first software offers in SaaS mode.

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

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

LECTRA 4.0: A LONG-TERM VISION

Markets undergoing profound changes

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

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

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

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

Accelerating adoption of key Industry 4.0 technologies

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

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

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

Corporate Social Responsibility: an increasingly central role for all activities

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

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

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

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

- acknowledged premium positioning, further strengthened since the Gerber acquisition, based on high value-added solutions and services with strong business-line expertise;
- focus on three strategic market sectors – fashion, automotive, and furniture – with a specific approach for each in terms of offers, organization and processes;
- integration of customers into the heart of the Group’s activities, with a commitment from its teams to do everything in their power to enable customers to make optimal use of its solutions and accordingly increase customer satisfaction;
- the gradual market launch of new 4.0 services combining data analysis, Lectra’s expertise and artificial intelligence, to enable customers to continuously improve their operations;
- a committed CSR policy with a firm determination to adhere to increasingly demanding social, societal, ethical and environmental standards in all practices and activities.

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

NEW STRATEGIC ROADMAP FOR 2023-2025

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

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

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

Six strategic priorities

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

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

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

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

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

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

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

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

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

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

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

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

First progress report

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

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

- A new milestone was reached in the deployment of Lectra's CSR policy. As part of its ambition to reduce both direct and indirect CO2 emissions, detailed work was conducted to quantify its overall carbon footprint. Eco-design training was provided for Product and R&D teams throughout the year. Furthermore, 92% of industrial purchases are already aligned with the Group’s Responsible and Sustainable Purchasing Charter (54% at December 31, 2022). Lectra has also reaffirmed its commitment to playing a major role in the decarbonization of its customers' activities: in addition to acquiring TextileGenesis, which provides a solution to textile industry traceability issues, Lectra continues to develop its offers to enable customers to better measure and reduce their own environmental impact, notably by optimizing material consumption and through lower power consumption of new-generation cutting machines. Sustained actions are also underway to develop and harmonize our corporate culture, notably to ensure employee well-being, promote the advancement of young talents, raise employee engagement, and enhance career prospects. The impact is measured by employee surveys, which had an 80% response rate in 2023 and identified an employee engagement rate of 65%.
- Despite the macroeconomic and geopolitical environment, the Group has achieved significant synergies following the acquisition of Gerber. Actions to optimize production costs for Gerber-branded equipment and the alignment of commercial practices across the Group are key factors behind the 3.5-point increase in gross margin in 2023. Similarly, the adoption in 2023 by many Gerber customers of a new maintenance contract for equipment and accompanying software, with substantially enhanced content, has contributed to the 6% increase in overall revenues of maintenance contracts for equipment and accompanying software. Moreover, the deployment of all the best practices in place at the Bordeaux-Cestas industrial facility (France) to the Tolland industrial site (United States) has contributed to a considerable increase in quality of service and customer satisfaction for Gerber-branded products.
- SaaS sales accelerated yet again in 2023, with over 1,250 customers subscribing to one or more software-as-a-service offers at year-end, compared to around 1,000 customers at December 31, 2022. SaaS subscriptions accounted for 6% of revenues in 2023, compared with 4% in 2022, and 0% in 2017. These advances demonstrate how Lectra customers have embraced the SaaS model, and highlight the success of the software offers for Industry 4.0 marketed since 2018 – offers that are available exclusively in SaaS mode.
- Lectra has continued to enhance its customer relationship model to provide even greater support to customers, particularly those who have chosen software sold in SaaS mode. The number of customer success managers increased to 43 at the end of 2023 (up from 34 in 2022 and 0 in 2017); their mission is to optimize customer performance through the use of Lectra solutions.
- Lectra's acquisition policy has continued to deliver, as exemplified in the January 9, 2024 announcement of the acquisition of Launchmetrics, international digital marketing player in the fashion industry. Lectra intends to pursue further acquisitions in the coming years.
- The Group maintained its strong investment in R&D, which amounted to 55.8 million euros, or 11.7% of revenues, in 2023, with particular focus on the development of future offers, while continuing to enhance current offers. In July 2023, Lectra launched a new generation of

intelligent, connected cutting equipment for the fashion industry, allowing fashion manufacturers to adapt to the growing need for small series production, with products that improve the productivity, flexibility, and environmental footprint of cutting rooms. These new generations were extended to the furniture and automotive sectors in early 2024, and will also contribute to the launches of new disruptive solutions planned for 2024, 2025 and beyond, including the extension of Lectra's digital platform for the cutting room 4.0, Valia, to the fashion and furniture sectors.

- The membership of Lectra's Board of Directors evolved in 2023, with the appointment of Ross McInnes as Lead Director, and of Karine Calvet and Pierre-Yves Roussel as Directors. The Board of Directors will also propose at the Annual Shareholders' Meeting on April 26, 2024 to elect as Director Jérôme Viala, who serves as Executive Vice President and is scheduled to retire on March 31, 2024. Finally, Lectra's Executive Committee has evolved in order to better address the Group's future challenges; Anne Borfiga has been appointed to the newly created position of General Secretary, and also serves as CSR referent; Fabio Canali heads the newly created EMEA region covering Europe, Africa and the Middle East (territories previously divided into two regions).

Financial objectives

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

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

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

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

5. APPROPRIATION OF EARNINGS

Dividend at €0.36 per share

The Board of Directors will propose to the Shareholders' Meeting of April 26, 2024 the payment of a dividend at €0.36 per share in respect of fiscal year 2023. This dividend would represent a payout ratio of 42% of consolidated net income, together with a yield of 1.2% based on the December 31, 2023, closing share price.

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

6. SHARE CAPITAL – OWNERSHIP – SHARE PRICE PERFORMANCE

Change in share capital

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

Main shareholders

On November 23, 2023, the Company was notified that Alantra EQMC Asset Management SGIIC (Spain) had exceeded the 5% thresholds of share capital and of voting rights and held 5.03% of the share capital and 5.00% of the voting rights. No other crossing of statutory thresholds has been reported to the Company since January 1, 2023.

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

- Daniel Harari holds 14.6% of the capital and 14.5% of the voting rights;
- AIPCF VI LG Funding (United States), Alantra EQMC Asset Management SGIIC (Spain), Brown Capital Management (United States), Fidelity Management and Research (United States), and Kempen Oranje Participaties (The Netherlands), each hold more than 5% (and less than 10%) of the share capital and voting rights.

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

Treasury shares

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

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

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

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

In its press release of April 11, 2023, the Company confirmed that it is eligible for inclusion in French SME ("PEA-PME") equity savings plans. As a consequence, investment in Lectra shares can be made through PEA-PME savings accounts, a scheme specifically applicable to investments in small and mid-cap companies, benefiting from the same tax advantages as the traditional Equity Savings Plan (PEA).

Share price performance and trading volumes

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

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

7. SIGNIFICANT POST-CLOSING EVENTS SINCE DECEMBER 31, 2023

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

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

8. FINANCIAL CALENDAR

The Annual Shareholders' Meeting will take place on April 26, 2024.

First, second, and third quarter earnings for 2024 will be published on April 24, July 25, and October 30, 2024, respectively, after the close of trading on Euronext.

Full-year earnings for 2024 will be published on February 12, 2025.

9. BUSINESS TRENDS AND OUTLOOK

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

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

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

Outlook for 2024

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

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

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

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

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

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

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

Confidence in prospects for growth in the medium term

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

The Board of Directors
February 14, 2024

ADDITIONAL INFORMATION – FOURTH QUARTER 2023

ORDERS FOR NEW SYSTEMS – LIKE-FOR-LIKE (1)

Perpetual software licenses, equipment and accompanying software and non-recurring services (in thousands of euros)	Three Months Ended December 31						
	2023			2022		Changes 2023/2022	
	Actual	%	At 2022 exchange rates	Actual	%	Actual exchange rates	Like-for-like
Perpetual software licenses	3,731	10%	3,814	5,184	11%	-28%	-26%
Equipment and accompanying software	28,585	74%	29,472	36,944	76%	-23%	-20%
Training and consulting services	4,897	13%	5,010	5,821	12%	-16%	-14%
Miscellaneous	1,081	3%	1,110	764	1%	+42%	+45%
Total	38,294	100%	39,406	48,713	100%	-21%	-19%
€ / $ average parity	*1.08*		*1.02*	*1.02*			

New software subscriptions (in thousands of euros)	Three Months Ended December 31						
	2023			2022		Changes 2023/2022	
	Actual	%	At 2022 exchange rates	Actual	%	Actual exchange rates	Like-for-like
Annual value of new software subscriptions	3,082	na	3,178	3,387	na	-9%	-6%
€ / $ average parity	*1.08*		*1.02*	*1.02*			

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

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

Revenues by region (in thousands of euros)	Three Months Ended December 31						
	2023			2022		Changes 2023/2022	
	Actual	%	At 2022 exchange rates	Actual	%	Actual exchange rates	Like-for-like
Europe, of which:	38,876	33%	38,872	41,348	32%	-6%	-6%
- France	6,321	5%	6,320	7,883	6%	-20%	-20%
Americas	40,099	33%	42,131	49,061	38%	-18%	-14%
Asia-Pacific	27,142	23%	28,728	29,036	22%	-7%	-1%
Other countries	13,204	11%	13,503	10,416	8%	+27%	+30%
Total	119,322	100%	123,234	129,861	100%	-8%	-5%
€ / $ average parity	*1.08*		*1.02*	*1.02*			

Revenues by type of business (in thousands of euros)	Three Months Ended December 31						
	2023			2022		Changes 2023/2022	
	Actual	%	At 2022 exchange rates	Actual	%	Actual exchange rates	Like-for-like
Revenues from perpetual software licenses, equipment and accompanying software, and non-recurring services, of which:	36,725	31%	37,990	48,868	38%	-25%	-22%
- Perpetual software licenses	3,481	3%	3,573	4,675	4%	-26%	-24%
- Equipment and accompanying software	27,868	23%	28,925	39,068	30%	-29%	-26%
- Training and consulting services	4,295	4%	4,382	4,360	3%	-1%	0%
- Miscellaneous	1,081	1%	1,110	764	1%	+42%	+45%
Recurring revenues, of which:	82,597	69%	85,244	80,993	62%	+2%	+5%
- Software subscriptions	8,521	7%	8,705	6,077	5%	+40%	+43%
- Software maintenance contracts	13,458	11%	13,755	13,423	10%	0%	+2%
- Equipment and accompanying software maintenance contracts	24,805	21%	25,683	25,010	19%	-1%	+3%
- Consumables and parts	35,813	30%	37,100	36,483	28%	-2%	+2%
Total	119,322	100%	123,234	129,861	100%	-8%	-5%
€ / $ average parity	*1.08*		*1.02*	*1.02*			

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

CONSOLIDATED INCOME STATEMENT – LIKE-FOR-LIKE [1]

	Three months ended December 31				
	2023		2022	Changes 2023/2022	
(in thousands of euros)	Actual	At 2022 exchange rates	Actual	Actual exchange rates	Like-for-like
Revenues	119,322	123,234	129,861	-8%	-5%
Cost of goods sold	(35,707)	(36,477)	(42,069)	-15%	-13%
Gross profit	83,614	86,757	87,792	-5%	-1%
(in % of revenues)	70.1%	70.4%	67.6%	+2.5 points	+2.8 points
Research and development	(13,022)	(13,800)	(12,677)	+3%	+9%
Selling, general and administrative expenses	(58,252)	(59,148)	(59,394)	-2%	0%
Income from operations before non-recurring items	12,341	13,809	15,721	-22%	-12%
(in % of revenues)	10.3%	11.2%	12.1%	-1.8 points	-0.9 points
Non-recurring income	2,536	2,536	-	na	na
Non-recurring expenses	(5,777)	(5,813)	(2,406)	+140%	+142%
Income from operations	9,100	10,533	13,315	-32%	-21%
(in % of revenues)	7.6%	8.5%	10.3%	-2.7 points	-1.8 points
Income before tax	8,790	10,205	11,418	-23%	-11%
Income tax	(1,096)	na	(2,992)	-63%	na
Net income	**7,695**	**na**	**8,425**	**-9%**	**na**
of which, Group share	**8,030**	**na**	**8,663**	**-7%**	**na**
of which, Non-controlling interests	(336)	na	(238)	ns	na
Income from operations before non-recurring items	12,341	13,809	15,721	-22%	-12%
+ Net depreciation and amortization of non-current assets	7,473	7,747	7,752	-4%	0%
EBITDA before non-recurring items	19,814	21,556	23,473	-16%	-8%
(in % of revenues)	16.6%	17.5%	18.1%	-1.5 points	-0.6 points
€ / $ average parity	*1.08*	*1.02*	*1.02*		

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

ADDITIONAL INFORMATION – FULL YEAR 2023

ORDERS FOR NEW SYSTEMS – LIKE-FOR-LIKE [1]

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

1.1. By product line

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

1.2. By region

(in thousands of euros)	Twelve Months Ended December 31						
	2023			2022		Changes 2023/2022	
	Actual	%	At 2022 exchange rates	Actual	%	Actual exchange rates	Like-for-like
Europe	39,819	27%	39,889	57,199	28%	-30%	-30%
Americas	40,006	28%	41,079	61,545	30%	-35%	-33%
Asia-Pacific	47,670	33%	49,869	64,225	32%	-26%	-22%
Other countries	17,947	12%	18,407	19,490	10%	-8%	-6%
Total	145,442	100%	149,244	202,459	100%	-28%	-26%
€ / $ average parity	*1.08*		*1.05*	*1.05*			

1.3. By market

(in thousands of euros)	Twelve Months Ended December 31						
	2023			2022		Changes 2023/2022	
	Actual	%	At 2022 exchange rates	Actual	%	Actual exchange rates	Like-for-like
Fashion	73,705	51%	75,472	104,576	52%	-30%	-28%
Automotive	47,377	33%	48,766	59,727	30%	-21%	-18%
Furniture	15,165	10%	15,544	19,662	10%	-23%	-21%
Other industries	9,194	6%	9,462	18,494	9%	-50%	-49%
Total	145,442	100%	149,244	202,459	100%	-28%	-26%
€ / $ average parity	*1.08*		*1.05*	*1.05*			

2. New software subscriptions

(in thousands of euros)	Twelve Months Ended December 31						
	2023			2022		Changes 2023/2022	
	Actual	%	At 2022 exchange rates	Actual	%	Actual exchange rates	Like-for-like
Annual value of new software subscriptions	10,809	na	11,048	9,570	na	+13%	+15%
€ / $ average parity	*1.08*		*1.05*	*1.05*			

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

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

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

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

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

CONSOLIDATED INCOME STATEMENT – LIKE-FOR-LIKE [(1)]

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

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

Company certification of the fourth quarter and fiscal year 2023 report

We certify that, to our knowledge, the financial statements of the fourth quarter and fiscal year 2023 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 report on operations for the fourth quarter and for the fiscal year 2023 presents a true and sincere view of the operations, results and financial condition of the Company and its consolidated companies, and that it describes the main risks and uncertainties that they face.

Paris, February 14, 2024

Daniel Harari
Chairman and Chief Executive Officer

Olivier du Chesnay
Chief Financial Officer

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

At December 31

(in thousands of euros)	2023	2022
Goodwill	297,306	292,626
Other intangible assets	129,014	137,108
Leasing rights-of-use	26,322	28,083
Property, plant and equipment	25,800	27,900
Other non-current assets	18,150	18,443
Deferred tax assets	13,591	12,212
Total non-current assets	510,183	516,372
Inventories	70,686	75,479
Trade accounts receivable	91,859	88,185
Other current assets	21,441	24,227
Cash and cash equivalents	115,049	130,634
Total current assets	299,035	318,525
Total assets	**809,218**	**834,897**

EQUITY AND LIABILITIES

(in thousands of euros)	2023	2022
Share capital	37,833	37,789
Share premium	140,777	140,134
Treasury shares	(885)	(1,037)
Currency translation adjustments	16,977	30,346
Retained earnings and net income	215,124	242,269
Non-controlling interests	8,033	2,719
Total equity	417,860	452,220
Retirement benefit obligations	10,593	9,580
Non-current lease liabilities	22,074	25,321
Minority shares purchase commitments	49,536	10,450
Deferred tax liabilities	2,733	1,278
Borrowings, non-current portion	76,684	97,492
Total non-current liabilities	161,620	144,121
Trade and other current payables	88,493	99,786
Deferred revenues	94,103	88,755
Current income tax liabilities	5,504	5,674
Current lease liabilities	9,144	9,048
Minority shares purchase commitments	1,702	-
Borrowings, current portion	21,405	21,784
Provisions for other liabilities and charges	9,386	13,509
Total current liabilities	229,738	238,556
Total equity and liabilities	**809,218**	**834,897**

CONSOLIDATED INCOME STATEMENT

Twelve months ended December 31 (in thousands of euros)	2023	2022
Revenues	477,579	521,934
Cost of goods sold	(144,402)	(174,251)
Gross profit	333,177	347,684
Research and development	(51,301)	(45,810)
Selling, general and administrative expenses	(232,824)	(233,389)
Income from operations before non-recurring items	49,052	68,485
Non-recurring income (1)	5,174	-
Non-recurring expenses (2)	(5,777)	(4,024)
Income from operations	48,450	64,461
Financial income	3,098	958
Financial expenses	(5,936)	(4,611)
Foreign exchange income (loss)	(1,644)	(1,843)
Income before tax	43,968	58,965
Income tax	(11,354)	(15,137)
Net income	**32,615**	**43,828**
of which, Group share	**33,904**	**44,386**
of which, Non-controlling interests	(1,289)	(558)

(in euros)		
Earnings per share, Group share:		
- basic	0.90	1.18
- diluted	0.89	1.16
Shares used in calculating earnings per share:		
- basic	37,794,184	37,748,750
- diluted	38,134,888	38,200,810

(in thousands of euros)		
Income from operations before non-recurring items	49,052	68,485
+ Net depreciation and amortization of non-current assets	29,966	29,882
EBITDA before non-recurring items	79,018	98,367

STATEMENT OF COMPREHENSIVE INCOME, GROUP SHARE (3)

Twelve months ended December 31 (in thousands of euros)	2023	2022
Net income, Group share	33,904	44,386
Currency translation adjustments	(13,257)	18,137
Tax effect	(112)	78
Other comprehensive income to be reclassified in net income	(13,369)	18,215
Remeasurement of the net liability arising from defined benefits pension plans	(1,006)	1,826
Tax effect	241	(455)
Other comprehensive income not to be reclassified in net income	(765)	1,371
Total other comprehensive income	(14,134)	19,586
Comprehensive income, Group share	**19,770**	**63,971**

(1) *Non-recurring income corresponds for 2.6 million euros to the unused portion of a provision reversed in the second quarter of 2023, after the agreement reached on a tax dispute following the acquisition of Gerber, and for 2.5 million euros to unused reversals of tax risk provisions following the acquisition of Gerber.*

(2) *Non-recurring expenses correspond for 4.6 million euros to an additional tax risk provision related to ongoing discussions with the French tax administration (see note 6 hereafter), and for 1.2 million euros to costs related to acquisitions in 2023.*

(3) *The Group considered as non-material the information regarding the comprehensive income of the non-controlling interests (for Retviews, Neteven, Gemini CAD Systems, Glengo Lectra Teknoloji and TextileGenesis, see note 3 hereafter) and thus only presents the comprehensive income of the Group share.*

CONSOLIDATED STATEMENT OF CASH FLOWS

Twelve months ended December 31 (in thousands of euros)	2023	2022
I - OPERATING ACTIVITIES		
Net income	32,615	43,828
Net depreciation and amortization (non-current assets)	29,966	29,882
Net depreciation and provisions (current assets)	(1,107)	4,345
Non-cash operating expenses	(761)	2,841
Loss (profit) on sale of fixed assets	96	9
Changes in deferred income taxes	(1,349)	(2,194)
Changes in inventories	5,631	(15,251)
Changes in trade accounts receivable	1,949	4,681
Changes in other current assets and liabilities	(8,149)	(10,354)
Changes in other operating non-current assets	681	-
Net cash provided by (used in) operating activities	59,572	57,787
II - INVESTING ACTIVITIES		
Purchases of intangible assets	(3,846)	(3,161)
Purchases of property, plant and equipment	(3,239)	(4,527)
Proceeds from sales of intangible and tangible assets	18	1
Acquisition cost of companies purchased (1)	(17,677)	(5,023)
Purchases of financial assets (2)	(10,994)	(11,828)
Proceeds from sales of financial assets (2)	11,493	12,200
Net cash provided by (used in) investing activities	(24,245)	(12,338)
III - FINANCING ACTIVITIES		
Proceeds from issuance of ordinary shares by the parent company	687	669
Proceeds from issuance of ordinary shares to non controlling interests	-	490
Dividend paid	(18,126)	(13,588)
Change in share of interests in controlled entities (3)	(482)	(1,714)
Purchases of treasury shares	(10,588)	(12,064)
Sales of treasury shares	10,558	11,329
Repayment of lease liabilities	(10,579)	(10,157)
Repayments of long-term and short-term borrowings	(21,000)	(21,000)
Net cash provided by (used in) financing activities	(49,530)	(46,035)
Increase (decrease) in cash and cash equivalents	**(14,203)**	**(586)**
Cash and cash equivalents at opening	130,634	130,586
Increase (decrease) in cash and cash equivalents	(14,203)	(586)
Effect of changes in foreign exchange rates	(1,382)	634
Cash and cash equivalents at closing	115,049	130,634
Net cash provided by (used in) operating activities	59,572	57,787
+ Net cash provided by (used in) investing activities	(24,245)	(12,338)
- Acquisition cost of companies purchased	17,677	5,023
- Repayment of lease liabilities	(10,579)	(10,157)
Free cash flow	42,425	40,315
Non-recurring items of the free cash flow	(2,920)	(3,405)
Free cash flow before non-recurring items	45,345	43,720
Income tax (paid) / reimbursed, net	(9,051)	(6,520)
Interest (paid) on lease liabilities	(539)	(530)
Interest (paid)	(4,504)	(794)

(1) This amount corresponds to the acquisition cost, net of cash acquired, of TextileGenesis, and the business takeover in China in 2023, and of the business combination with Glengo Teknoloji in 2022 (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.

(3) The 2023 amount corresponds to the purchase of the part of one Neteven’s co-founder after his departure. The 2022 amount corresponded to the payment of the remainder of the staggered purchases of 10% of Retviews.

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 December 31, 2021	37,742,959	1.00	37,743	139,511	(271)	12,132	208,947	398,062	2,724	400,786
Net income							44,386	44,386	(558)	43,828
Other comprehensive income						18,215	1,371	19,586	11	19,597
Comprehensive income						18,215	45,757	63,972	(547)	63,425
Exercised stock options	45,990	1.00	46	623				669		669
Fair value of stock options							1,340	1,340		1,340
Sale (purchase) of treasury shares					(766)			(766)		(766)
Profit (loss) on treasury shares							18	18		18
Minority shares purchase for Retviews (1)							837	837	(87)	750
Revaluation of non controlling interests in Gemini								0	47	47
Glengo operation and minority shares purchase commitment(2)							(1,941)	(1,941)	92	(1,850)
Shares issued to non controlling interests (2)								0	490	490
Discounting and revision of minority shares purchase commitments							900	900		900
Dividend paid							(13,588)	(13,588)		(13,588)
Balance at December 31, 2022	37,788,949	1.00	37,789	140,134	(1,037)	30,346	242,269	449,501	2,719	452,220
Net income							33,904	33,904	(1,289)	32,615
Other comprehensive income						(13,369)	(765)	(14,134)	(52)	(14,186)
Comprehensive income						(13,369)	33,139	19,770	(1,341)	18,429
Exercised stock options	44,016	1.00	44	643				687		687
Fair value of stock options							1,499	1,499		1,499
Sale (purchase) of treasury shares					152			152		152
Profit (loss) on treasury shares							(137)	(137)		(137)
Internal transfer of intellectual property with non-controlling interests							(2,380)	(2,380)	2,380	-
Minority shares purchase for Neteven							482	482	(131)	351
Integration of TextileGenesis and minority shares purchase commitment(3)							(45,416)	(45,416)	4,406	(41,010)
Discounting and revision of minority shares purchase commitments							3,795	3,795		3,795
Dividend paid							(18,126)	(18,126)		(18,126)
Balance at December 31, 2023	**37,832,965**	**1.00**	**37,833**	**140,777**	**(885)**	**16,977**	**215,124**	**409,827**	**8,033**	**417,860**

(1) These amounts stem from the staggered purchases of additional shares of Retviews in July 2022 (see note 3 hereafter).

(2) These amounts stem from the business combination between the Group subsidiary Lectra Turkey and Glengo Teknoloji on June 1, 2022 (see note 3 hereafter).

(3) These amounts stem from the takeover of TextileGenesis on January 9, 2023. Note 3 hereafter details the impacts of this operation on Group financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2023

1. BUSINESS ACTIVITY

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

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

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

Established in 1973, Lectra has been listed on Euronext since 1987, and is part of the following indexes: SBF 120, Euronext Tech Leaders, CAC Mid 60, CAC All-Tradable and CAC Mid & Small.

Business model

Lectra's business model is based on three pillars:

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

Worldwide presence

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

Since the acquisition of TextileGenesis in January 2023, the merger of two Gerber holdings in the USA and the creation of a Chinese entity (Lectra Suzhou) in December, in addition to the parent company, the Group has an unrivalled network of 64 subsidiaries, from which Lectra generates more than 85% of its revenue.

Lectra welcomes customers from around the world in its Experience Centers in Bordeaux-Cestas (France), Atlanta and New York (USA) and Shanghai (China). The Group has twelve international Expertise Centers, based in Bordeaux-Cestas (France), Atlanta and Tolland (USA), Blumenau (Brazil), Hô Chi Minh (Vietnam), Istanbul (Turkey), Madrid (Spain), Milan (Italy), Osaka (Japan), Porto (Portugal), Seoul (South Korea) and Shanghai (China).

Customers

From global or national corporations to smaller companies, Lectra's customers are, for the most part, fashion and apparel brands, manufacturers and retailers, automotive equipment manufacturers and subcontractors, and furniture brands and manufacturers.

Products and services

Lectra designs, manufactures and markets end-to-end integrated technology solutions, which combine software, automated cutting equipment, data and associated services. The distinctive feature of Lectra's offer is to integrate business expertise with the best industrial practices for each market sector. The services include technical maintenance, support, training and consulting. The Group also sells consumables and parts for its automated cutting equipment.

The automated cutting equipment manufactured by the Group in France is assembled from parts produced by a network of subcontractors and tested in the Company's industrial facilities in Bordeaux-Cestas (France). Cutting machines on the market since 2007 incorporate hundreds of sensors which connect them to Lectra's Expertise Centers, enabling preventive and predictive maintenance.

The manufacturing of the automated cutting equipment developed by Gerber is partly carried out in the United States and partly subcontracted, mainly to a company located in China, whose business dedicated to the Group was taken over in December 2023 (see note 3 hereafter).

People

Lectra's strength draws on the skills and experience of nearly 2,550 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 consolidated financial statements at December 31, 2023, have been prepared in accordance with the same rules and methods as those applied in the preparation of the 2022 financial statements. They have been prepared under the responsibility of the Board of Directors at its meeting of February 14, 2024. Audit procedures have been applied to the consolidated financial statements. The statutory auditors' certification report will be issued after the Board of Directors meeting on February 28, 2024, which will approve the notes to the consolidated financial statements. The Q4 financial statements have not been reviewed separately 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, 2023 have no impact on the Group's financial statements. The Group has not adopted in advance any standard, amendment or interpretation whose application is not required for fiscal years starting from January 1, 2023.

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

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

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

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

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

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

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

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

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

Cost of goods sold

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

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

Research and development costs

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

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

Earnings per share

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

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

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

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

Performance indicators

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

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

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

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

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

EBITDA before non-recurring items

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

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

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

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

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

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

Security ratio

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

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

Operating segments

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

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

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

3. SCOPE OF CONSOLIDATION

At December 31, 2023, the Group's scope of consolidation comprised the parent company, Lectra SA, together with 59 fully-consolidated companies, 23 of which come from the acquisition of Gerber. Five companies are not consolidated.

Creation of Lectra Suzhou

In December 2023, Lectra took over the business of Gerber's former subcontractor in China, after the creation of a dedicated entity, Lectra Suzhou (100%-subsidiary). This entity took over the subcontractor's assets and hired part of its employees, for 5.6 million euros.

The purchase price accounting is in the process of being finalized, and the main impacts on the Group financial statements to date are as follows:

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

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 5.6 million euros.

Acquisition of TextileGenesis

On December 8, 2022, Lectra announced the signature of an agreement to acquire the majority of the capital and voting rights of the Dutch company TextileGenesis. The transaction was finalized on January 9, 2023.

It involves the acquisition of 50.5 % of TextileGenesis for 15.2 million euros including an increase in the working capital of 2.0 million euros fully subscribed by Lectra. The acquisition of the remaining capital and voting rights (minority shares purchase commitment – with cross puts and calls) will take place in January 2026 and in January 2028 and will bring the total cost of the acquisition to 60.6 million euros.

The purchase price accounting is in the process of being finalized, and the main impacts on the Group financial statements to date are as follows:

- Recording of net assets of 8.9 million euros, including intangible assets relating to technology and customer relationships for the respective amounts of 2.6 and 4.9 million euros, generating a deferred tax liability of 1.6 million euros;
- Recording of non-controlling interests, valued at their share in the net assets of the company ("partial goodwill" method), for 4.4 million euros;
- Recording of a goodwill of 10.7 million euros;
- Recording of a debt to recognize the minority shares purchase commitment, recorded for a total amount of 45.4 million euros (classified as non-current liabilities). The counterpart is recorded in 'Equity, Group share'.

The acquisition cost for Lectra, net of cash acquired, has been entirely disclosed under the heading 'Acquisition cost of companies purchased' in the statement of cash flows, for an amount of 12.0 million euros.

TextileGenesis has been fully consolidated since January 9, 2023.

Business combination with Glengo Teknoloji

On June 1, 2022, the Group signed a business combination between its subsidiary Lectra Turkey and Glengo Teknoloji (“Glengo”), the exclusive distributor of Gerber solutions in Turkey. The transaction involved the acquisition by Lectra Turkey of Glengo’s assets (and the onboarding of most of its employees), for 5.0 million euros, and the acquisition by Glengo’s shareholders of 25% of Lectra Turkey’s shares; the company became Glengo Lectra Teknoloji. The transaction also includes a long-term minority shares purchase commitment (with cross puts and calls).

The purchase price accounting was finalized. The debt to recognize the minority shares purchase commitment is recorded for a total amount of 2.0 million euros (classified as non-current liabilities).

Glengo Teknoloji had been fully consolidated since June 1, 2022.

Acquisition of Gerber

On June 1, 2021, Lectra had 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.

The purchase accounting (performed under IFRS 3) and the evaluation of its tax effects were finalized in H1 2022. Some amounts, mainly corresponding to tax risks, were revised, resulting in a 6.4 million euros increase of the recorded goodwill.

Minority shares purchase commitments

During its past acquisitions (Neteven, Gemini, Glengo, TextileGenesis), the Groupe did not acquire 100% of the capital and voting right at one, but committed to later purchases (sometimes staggered), with cross puts and calls. This entails the recording of a liability (short- or long-term, depending on the scheduling of the options).

Out-scoping of Lectra Russia

As soon as the conflict began in 2022, the Group decided to cease its operations in Russia, by suspending the activity of its subsidiary Lectra Russia and stopping all deliveries of products or services. In the consolidated financial statements at December 31, 2022, the Group had recorded an impairment of its net assets in Russia.

Given the absence of exposure for the Group, it was decided to take Lectra Russia out of the consolidation scope, without sale or dilution, as from July 1, 2023. After the impairment of assets carried out in 2022 and the stop of activities in the country, the impact on the Group's consolidated financial statements is not significant.

There was no other change in the scope of consolidation in 2023, nor in 2022.

Non-consolidated entities

Historically, three sales and services subsidiaries were not consolidated, their revenue being immaterial both separately and combined. Lectra Russia has been added to this list since July 1, 2023. At December 31, 2023, their combined revenue amounted to 1.1 million euros, and their combined assets amounted to 1.9 million euros. They had no financial debt outside of the Group. Most of the sales activity of these subsidiaries is billed directly by Lectra SA.

Transactions with these subsidiaries mainly concern purchases from Lectra SA for the purposes of their local operations, or charges and commissions billed to Lectra SA in order to cover their overheads when they act as agents. The amount of these transactions was not significant at December 31, 2023.

4. OPERATING SEGMENTS INFORMATION

Twelve months ended December 31, 2023 (in thousands of euros)	Northern Europe[1]	Southern Europe[2]	Americas	Asia-Pacific	Corporate	Total
Revenues	92,143	104,365	171,452	109,620	-	477,579
EBITDA before non-recurring items	10,242	19,312	9,908	6,259	33,298	79,018

Twelve months ended December 31, 2022 (in thousands of euros)	Northern Europe[1]	Southern Europe[2]	Americas	Asia-Pacific	Corporate	Total
Revenues	94,425	104,995	189,737	132,777	-	521,934
EBITDA before non-recurring items	10,528	18,788	8,384	10,834	49,833	98,367

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

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

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

5. CONSOLIDATED CASH FLOW SUMMARY

Twelve months ended December 31, 2023 (in thousands of euros)	Cash and cash equivalents	Financial debts	Net cash
Free cash flow before non-recurring items	45,345	-	45,345
Non-recurring items included in free cash flow	(2,920)	-	(2,920)
Proceeds from issuance of ordinary shares[1]	687	-	687
Sale and purchase of treasury shares[3]	(30)	-	(30)
Acquisition cost of companies purchased[2]	(17,677)	-	(17,677)
Change in share of interests in controlled entities[4]	(482)	-	(482)
Dividend paid	(18,126)	-	(18,126)
Change in borrowings	(21,000)	21,000	-
Amortized cost of borrowings	-	187	187
Impact of currency variations	(1,382)	-	(1,382)
Change in cash position for the period	(15,585)	21,187	5,602
Cash position at December 31, 2022	130,634	(119,276)	11,358
Cash position at December 31, 2023	115,049	(98,089)	16,960
Change in cash position for the period	(15,585)	21,187	5,602

(1) Resulting solely from the exercise of stock options.

(2) This amount corresponds to the acquisition cost, net of cash acquired, of TextileGenesis (see note 3).

(3) Carried out solely under the liquidity agreement administered by Natixis Oddo BHF since September 2022 (see note 7).

(4) Payments for the complementary shares of Neteven (see note 3).

Free cash flow before non-recurring items at December 31, 2023, was 45.3 million euros.

When adding non-recurring cash-outs for 2.9 million euros, incurred for costs relating to the acquisition of Gerber in 2021 and acquisition activities in 2023, free cash flow amounted to 42.4 million euros.

This figure results from a combination of 59.6 million euros in cash flows provided by operating activities (including an increase in working capital of 0.6 million euros) and capital expenditures of 6.6 million euros. The cash flows provided by operating activities also comprised a decrease in other operating non-current assets of 0.7 million euros (corresponding to the deduction of previous years research tax credits from the corporate income tax due by Lectra SA in 2023, since the 2023 research tax credit was already fully deducted – see note 6 hereafter). Finally, the repayment of lease liabilities (according to IFRS 16), for 10.6 million euros, was taken into account.

The variation in working capital is explained as follows:

- +7.5 million euros coming from the reduction in trade payables, linked to the slowdown in activity;
- +4.5 million euros arising from the payment of the variable portion of salaries for the Group in respect of fiscal year 2022 paid mainly in 2023, net from the accrual recognized in 2023 that will be paid in 2024;
- −1.9 million euros corresponding to the decrease in trade accounts receivable (the variation in trade accounts receivable shown in the consolidated statement of cash flows includes ‘Deferred revenues’ in the statement of financial position, which for the most part comprises the share of recurring contracts billed but not yet recognized in revenue);
- −3.5 million euros from the 2019 research tax credit collected in Q3 2023 (see note 6 below);
- −5.6 million euros corresponding to the decrease in inventories;
- −0.4 million euros arising from the changes in other current assets and liabilities; taken individually, these changes are all immaterial.

The working capital at December 31, 2023 was negative at 4.1 million euros. It comprised the current portion (5.0 million euros) of the 18.4 million euros receivable on the French tax administration in respect of the research tax credit, which has not been received and has not been deducted from the corporate income tax.

6. RESEARCH TAX CREDIT

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

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

The research tax credit (4.6 million euros) for 2023 was accounted for but not received.

Thus, at December 31, 2023, the Group held a 18.4 million euros receivable on the French tax administration (of which 13.4 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: none for 2023 and 2022 (since the research tax credit was fully deducted from the corporate income tax of those periods), 2021 (6.0 million euros), 2020 (6.9 million euros) and 2018 (5.0 million euros);
- the remaining amount of the research tax credit (0.5 million euros) generated by Neteven.

Besides, the previous amounts due in more than one year have been reduced by a discounting impact for 0.5 million euros.

The Group has also recorded a provision for risk of 2.0 million euros in 2022, taking into account ongoing discussions with the French administration concerning the Lectra SA research tax credit. This provision was increased by 4.6 million euros in 2023.

In light of its estimates of tax credits and corporate income tax for the next three fiscal years, the Group does not expect to make any payment in respect of corporate income tax in France, from which will be deducted in full the research tax credit of each fiscal year. Thus, Lectra received the reimbursement of 3.5 million euros related to the 2019 tax credit in Q3 2023 and should therefore receive the outstanding balance of these non-deducted tax credits as follows: 2024 (in respect of the 2018 and 2020 tax credits) and 2025 (in respect of the 2021 tax credit). This situation will last for as long as the amount of the annual tax credits exceeds the amount of income tax payable.

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

7. TREASURY SHARES

Since January 1, 2023, the Company has purchased 335,413 shares and sold 333,913 shares at an average price of €31.57 and €31.62 respectively under the liquidity agreement administered by Natixis Oddo BHF.

At December 31, 2023, the Company held 31,409 Lectra shares (i.e. 0.08% of the share capital) with an average purchase price of €28.16 entirely under the liquidity agreement.

8. CASH AND CASH EQUIVALENTS AND NET CASH

(in thousands of euros)	December 31, 2023	December 31, 2022
Available cash	111,049	118,634
Cash equivalents	4,000	12,000
Borrowings and financial debts	(98,089)	(119,276)
Net cash / (net debt)	16,960	11,358

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

The Group subscribed on June 1, 2021 a loan with a five-year maturity, payable by four yearly instalments of 15% and 40% *in fine*. It bears interest at the 3-month or 6-month Euribor rate (with a 0% floor), to which a margin is added, depending on a leverage ratio and set at 85 base points for the first year and 75 base points for the second one. Two instalments of 21.0 million euros each was respectively paid back on June 1, 2022 and June 1, 2023.

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

At December 31, 2023, the maturity of the loan was as follows:

(in thousands of euros)	December 31, 2023	December 31, 2022
Short term – less than one year	21,405	21,784
Long term – more than one year, and less than five years	76,684	97,492
Total	98,089	119,276

9. FOREIGN EXCHANGE RISK

In 2023, the average parity between the US dollar and the euro was $1.08/€1.

Exchange risk hedging instruments

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

Exchange risk hedging instruments at December 31, 2023 were comprised of forward sales and purchases of foreign currencies (mainly US dollar) for a net total equivalent value (purchases minus sales) of 25.3 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 2024.

10. SENSITIVITY ANALYSIS

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

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

In view of the estimated share of revenues and costs denominated in US dollars or in currencies correlated with the US dollar, a 5-cent fall in the euro against the US dollar (leading to an annual average exchange rate of $1.05/€1) would mechanically increase 2024 annual revenues by approximately 11.0 million euros and annual EBITDA before non-recurring items by 4.5 million euros. Conversely, a 5-cent appreciation of the euro against the US dollar (i.e. $1.15/€1) would mechanically reduce annual revenues and EBITDA before non-recurring items by the same amounts.