LECTRA

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

Dear Shareholders,

We report below on Lectra Group's business activity and consolidated financial statements for the second quarter and first half of 2021, ending June 30, 2021, which take into account the acquisition of the company Gerber Technology, which has been consolidated since June 1, 2021. Financial statements for the first half have been subject to a limited review by the Statutory Auditors; statements relating solely to the second quarter have not been reviewed.

To facilitate analysis of the Group's second quarter and first half financial statements, the impact of Gerber Technology (the "Gerber scope") on the income statement is analyzed separately from the results of Lectra excluding the acquisition (the "Lectra 2020 scope"). For the Lectra 2020 scope, detailed comparisons between 2021 and 2020 are based on 2020 exchange rates unless otherwise stated ("like-for-like").

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 analysis of orders is limited to the Lectra 2020 scope.

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

The results for the Gerber scope relate to the month of June 2021 (the first month of consolidation). The proforma results relate to the first six months of the fiscal year. They are not compared to the results for the same periods of 2020.

The detailed tables and like-for-like changes in orders for new systems, in revenues, and in the income statements for the second quarter and first half of 2021 are provided in the additional information of this report, starting on page 8. These tables allow identification of the impact of Gerber Technology on the revenues and income from operations for the second quarter and for the first half of 2021.

1. SUMMARY FOR Q2 2021

Q2 2021 revenues amounted to 80 million euros, up 58% at actual exchange rates.

EBITDA before non-recurring items totaled 11.9 million euros (multiplied by 2.4 at actual exchange rates) and the EBITDA margin before non-recurring items was 14.8%. For its first month of consolidation, Gerber Technology contributed 13.5 million euros to revenues and 1.2 million to EBITDA before non-recurring items.

Income from operations before non-recurring items amounted to 7.7 million euros. This included a 0.8-million-euro charge for amortization of intangible assets arising from the acquisition of Gerber Technology (see chapter 2.3). After a non-recurring charge of 3.8 million euros recognized in Q2 2021 for fees and other costs relating to the acquisition of Gerber Technology, income from operations amounted to 4 million euros.

Net income totaled 2.9 million euros (+175% at actual exchange rates).

Free cash flow before non-recurring items came to 4.5 million euros. After disbursement of 2.5 million euros in Q2 in respect of fees and other related expenses in connection with the acquisition of Gerber Technology, free cash-flow came to 2 million euros.

1.1 Lectra 2020 scope

With an average exchange rate of $1.21/€1 in Q2, the US dollar was down 9% compared to Q2 2020, while the yuan held steady against the euro. Currency changes mechanically decreased revenues by 2.3 million euros (-3%) and income from operations before non-recurring items by 1.4 million euros (-16%) at actual exchange rates, compared to like-for-like figures.

Very strong rebound in orders and revenues, income from operations before non-recurring items multiplied by 4.5

Business activity and results in Q2 2020 had been severely affected by the COVID-19 crisis, due to the initial lockdown measures implemented by many countries and the significant reduction in activity by Lectra's customers.

Despite the persistent consequences of the health crisis, particularly in Europe, Q2 2021 confirmed the improvement observed at the end of 2020 and then in Q1 2021.

Orders for perpetual software licenses, equipment and accompanying software, and non-recurring services (30.6 million euros) more than doubled (+112%) compared to Q2 2020.

The annual value of new software subscription orders amounted to 2 million euros, multiplied by close to 6.

Revenues (66.5 million euros) increased by 36% compared to Q2 2020 (+32% at actual exchange rates).

Income from operations before non-recurring items totaled 7.7 million euros; multiplied by 4.5 like-for-like and by 3.8 at actual exchange rates.

The operating margin before non-recurring items was 11.6%, up 9.3 percentage points like-for-like and 7.6 percentage points at actual exchange rates.

1.2 Acquisition of the company Neteven

On June 24, 2021, the Company announced the signature of an agreement to acquire the entire capital and voting rights of the French company Neteven. This acquisition is in line with Lectra’s strategy of expanding its presence in the fashion market by covering an additional part of the customer value chain.

Founded in 2005, Neteven has developed a particularly innovative offer, based on a SaaS platform and associated services, which enables brands to simplify and effectively monitor the distribution of their products on the world’s largest online marketplaces. Neteven is the perfect complement to the latest solutions acquired by Lectra, Kubix Link (product lifecycle management and product information management – PLM, PIM) and Retviews (competitive intelligence and trend analysis). The combination of these three offers will enable Lectra to provide an even more comprehensive response to its fashion customers’ needs.

The transaction concerns the acquisition of 80% of Neteven in July 2021 for 12.6 million euros. The acquisition of the remainder of capital and voting rights will take place in June 2025, for an amount between 0.6 to 0.9 times 2024 recurring revenues.

2. CONSOLIDATED FINANCIAL STATEMENTS FOR FIRST HALF 2021

H1 2021 revenues were 146.7 million euros, up 29% at actual exchange rates. EBITDA before non-recurring items totaled 23.2 million euros (+80% at actual exchange rates) and the EBITDA margin before non-recurring items was 15.8%.

Consolidated income from operations before non-recurring items amounted to 16.2 million euros. After a non-recurring charge of 4.8 million euros, recognized in H1 2021 for fees and other costs relating to the acquisition of Gerber Technology, income from operations amounted to 11.4 million euros.

Financial income and expenses represented a net charge of 0.3 million euros. After net foreign exchange gains of 0.2 million euros and an income tax expense of 2.3 million euros, net income totaled 8.9 million euros, up 101% at actual exchange rates.

Net earnings per share were €0.26 on basic capital and on diluted capital (€0.14 in H1 2020).

Free cash flow before non-recurring items came to 14.3 million euros (1.5 million euros in H1 2020). This sharp rise is attributable mainly to the improvement in income from operations. After disbursement of 2.8 million euros in H1, in respect of fees and other related expenses in connection with the acquisition of Gerber Technology, free cash-flow amounted to 11.5 million euros.

2.1 Lectra 2020 scope

Negative impact of currency changes

With an average exchange rate of $1.21/€1 in H1, the US dollar was down 9% compared to H1 2020 and the yuan declined by 1% against the euro. Currency changes mechanically decreased revenues by 5.1 million euros (-4%) and income from operations before non-recurring items by 3.1 million euros (-16%) at actual exchange rates, compared to like-for-like figures.

Strong growth in revenues, income from operations before non-recurring items multiplied by 2.7

H1 2021 revenues (133.2 million euros) increased by 21% (+17% at actual exchange rates) compared to H1 2020, which had suffered the effects of the health crisis.

Orders

Orders for perpetual software licenses, equipment and accompanying software, and non-recurring services (56.6 million euros) increased by 71%.

Orders for perpetual software licenses (3.7 million euros), equipment and accompanying software (45.9 million euros), and training and consulting (6 million euros) increased by 3%, 87% and 46%, respectively.

Geographically, orders for perpetual software licenses, equipment and accompanying software, and non-recurring services increased by 109% in Asia-Pacific, by 44% in Europe and by 100% in the Americas. They were down 30% in the rest of the world (including Northern Africa, South Africa, Turkey, and the Middle East). They were multiplied by close to 3 in the furniture market, by 2.3 in the automotive market and increased by 29% in the fashion market and by 22% in the other industries.

As for the annual value of new software subscription orders, it amounted to 2.7 million euros, nearly a threefold increase compared to H1 2020. The improvement was seen in all geographical areas and was attributable primarily to the fashion market.

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 (49.2 million euros) increased by 35% (+30% at actual exchange rates). They include mainly:

– perpetual software licenses (3.6 million euros), which decreased by 12% and accounted for 3% of total revenues (4% in 2020);
– equipment and accompanying software (39.4 million euros), which increased by 48% and accounted for 30% of total revenues (24% in 2020);
– training and consulting (5.3 million euros), which increased by 7% and accounted for 4% of total revenues (4% in 2020).

The amount reported for orders for perpetual software licenses, equipment and accompanying software, and non-recurring services in H1 (56.6 million euros) was 7.4 million euros higher than the corresponding revenues figure (49.2 million euros). This difference is primarily due to the strong growth in orders at the end of the second quarter, which had not yet been delivered and invoiced on June 30.

Accordingly, at June 30, 2021, the order backlog for perpetual software licenses, equipment and accompanying software, and training and consulting stood at the particularly high level of 31.7 million euros. It increased by 7.2 million euros compared to December 31, 2020 (+7.8 million euros at actual exchange rates), and by 16.1 million euros compared to June 30, 2020 (+15.7 million euros at actual exchange rates).

Revenues from recurring contracts, and consumables and parts

Revenues from recurring contracts—which represented 37% of total revenues—amounted to 50 million euros, a 3% increase.

This revenue component is a key pillar of the Group's business model and constitutes a protective factor that has mitigated the impact of the COVID-19 crisis on revenues and results. The breakdown is as follows:

- software subscriptions were 3.1 million euros, a twofold increase, and represented 2% of revenues;
- software maintenance contracts came to 17.8 million euros, down 5%, and represented 13% of revenues;
- equipment and accompanying software maintenance contracts were 29.1 million euros, up 3%, and represented 22% of revenues.

In parallel, revenues from consumables and parts (34 million euros) increased by 35% compared to H1 2020, which were affected by the acute reduction in business activity of the Group's customers due to the health crisis. They represented 26% of revenues (23% in 2020).

Overall, recurring revenues (84 million euros) increased by 14%.

Gross profit

Gross profit amounted to 97.4 million euros, up 18% compared to 2020.

The overall gross profit margin was 73.1%, down 1.8 percentage points relative to H1 2020. This decrease stems mainly from the evolution of the product mix, and specifically the very strong growth in equipment and accompanying software revenues.

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

Overhead costs

Total overhead costs were 81.2 million euros, up 5% compared to 2020. The breakdown is as follows:

- 70.8 million euros in fixed overhead costs (-3%);
- 10.4 million euros in variable costs (+130%).

At actual exchange rates, overhead costs increased by 3%.

While fixed costs continued to benefit from the cost-containment measures implemented in the first half of 2020, the sharp rise in variable costs, attributable mainly to the variable portion of compensation, profit sharing and the incentive plan, is explained by the very strong growth in orders for new systems, in revenues, and in earnings.

Research and development costs (17.1 million euros), which are fully expensed in the period and included in fixed overhead costs, represented 12.8% of revenues (16.4 million euros and 14.4% of revenues in H1 2020). After deducting the research tax credit applicable in France and grants received, net research and development costs totaled 12.6 million euros (12 million euros in 2020).

Income from operations before non-recurring items

Income from operations before non-recurring items amounted to 16.2 million euros and was multiplied by 2.7 compared to H1 2020 (multiplied by 2.3 at actual exchange rates).

The operating margin before non-recurring items was 12.1%, up 7.8 percentage points like-for-like, and 5.9 percentage points at actual exchange rates.

2.2 Gerber scope

From June 1 (acquisition date) to June 30, 2021, Gerber Technology reported 16.3 million US dollars (13.5 million euros) in revenues and 1.5 million US dollars (1.2 million euros) in EBITDA before non-recurring items.

If Lectra had completed the acquisition on January 1, 2021, and taken into account the effects of the purchase accounting as of that date, then Gerber Technology would have reported pro forma revenues for the first six months of 2021 of 109.1 million US dollars (approximately 90.5 million euros) and pro forma EBITDA before non-recurring items of 11.7 million US dollars (approximately 9.7 million euros).

2.3 Balance sheet at June 30, 2021

The balance sheet at June 30, 2021 includes the effects of the acquisition of Gerber Technology, which are set out below.

At June 30, 2021, consolidated shareholders' equity amounted to 370 million euros (192.2 million euros at December 31, 2020). This increase is explained mainly by the capital increase carried out for the purpose of the acquisition of Gerber Technology in the total amount of 165.3 million euros (see chapter 3).

The Company also paid a dividend of 7.8 million euros in respect of FY 2020 on May 7, 2021.

The Group took out a 140-million-euro loan to finance the cash portion of the acquisition price of Gerber Technology in the amount of 175 million euros. At June 30, 2021, the Group's net financial debt stood at 21.9 million euros, consisting in financial debt of 139.3 million euros and available cash of 117.4 million euros.

The acquisition price of Gerber Technology was primarily allocated to amortizable intangible assets in the provisional amount of 123.8 million euros and to goodwill in the provisional amount of 199.9 million euros.

The working capital requirement at June 30, 2021 was a negative 30.8 million euros.

3. SHARE CAPITAL – OWNERSHIP – SHARE PRICE PERFORMANCE

Change in share capital

At June 30, 2021, the share capital totaled €37,646,645, divided into 37,646,645 shares with a par value of €1.00.

This includes the increase in the share capital by the nominal amount of €5,000,000 through the issue on June 1, 2021, of 5,000,000 new ordinary shares allotted to AIPCF VI LG Funding LP for the acquisition of Gerber Technology, pursuant to a resolution by the Shareholders' Meeting held the same date. This capital increase was accompanied by a share issue premium in the amount of €117,500,000 and an amount of €42,750,000 directly recognized in the reserves.

The share capital has also increased since January 1, 2021, by the nominal amount of €134,994 (associated with a share issue premium of €1,467,948) due to the issue of 134,994 new shares resulting from the exercise of stock options.

Main shareholders

Following the increase in the Company's share capital on June 1, 2021:

- AIPCF VI LG Funding LP (United States) holds 13.3% of the share capital and 13.2% of the voting rights;
- Daniel Harari fell below the 15% threshold for the share capital and voting rights and held 14.6% of the share capital and 14.6% of the voting rights;
- Kabouter Management LLC (United States), acting on behalf of investment funds that it manages, fell below the 10% threshold for the share capital and voting rights, and held 9% of the share capital and 9% of the voting rights;
- Allianz SE (Germany) fell below the 5% threshold for the share capital and voting rights and held 4.4% of the share capital and 4.4% of the voting rights.

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

- Daniel Harari holds 14.6% of the capital and voting rights;
- AIPCF VI LG Funding LP (United States) holds 13.3% of the capital and 13.2% of the voting rights;
- Artisan Partners Limited Partnership (United States), Kabouter Management LLC (United States), acting on behalf of investment funds that it manages, and Kempen Oranje Participaties (The Netherlands) each hold more than 5% (and less than 10%) of the capital and voting rights.

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

Treasury shares

At June 30, 2021, the Company held 0.06% of its own shares in treasury shares, solely within the framework of the liquidity agreement contracted with Exane BNP Paribas.

Share price performance and trading volumes

The Company's share price at June 30, 2021 was €31.90, up 28% compared to December 31, 2020 (€25.00). In H1, it reached a low of €23.15 on January 28 and a high of €34.10 on June 7. The CAC 40 index, CAC All-Tradable index and the CAC Mid & Small index increased by 17%, 16%, and 12% respectively, for the first six months of 2021.

According to Bloomberg, 6.9 million shares were traded on all platforms in H1 2021 (9.1 million in H1 2020), including 31% on Euronext.

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

4. SIGNIFICANT POST-CLOSING EVENTS SINCE JUNE 30, 2021

On July 28, 2021, the Company finalized the acquisition of the company Neteven (see chapter 1.2), which will be consolidated in the Group's financial statements as of this same date.

5. FINANCIAL CALENDAR

The Q3 and first nine months of 2021 financial results will be published on October 27, after the close of trading on Euronext Paris.

6. BUSINESS TRENDS AND OUTLOOK

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

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

Financial objectives for 2022

Following the February 8, 2021 announcement of Lectra's proposal to acquire Gerber Technology, the Group reported on the 2022 financial objectives for the combined entity. To provide a better indicator for measuring the results following this acquisition, the Group has decided to employ EBITDA before non-recurring items to measure its operational performance.

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

2021 outlook and financial objectives

The uncertainty surrounding the evolution of the pandemic and its consequences on the macroeconomic environment, together with the degraded financial situation of the Group’s customers continues to weigh on customers' investment decisions. The improvement in the situation, which was reflected in a strong rebound in orders over the first half of the year, remains uneven and fragile.

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

In light of the results for the first half of the year and the order backlog on June 30, the Group has raised its objectives for the Lectra 2020 scope to revenues in the range of 269 to 281 million euros (+16% to +21% like-for-like) and income from operations before non-recurring items in the range of 35 to 40 million euros (+51% to +77% like-for-like).

After the integration of Gerber Technology, the Group has set the objectives of achieving 2021 revenues in the range of 364 to 390 million euros (+54% to +65% at actual exchange rates) and EBITDA before non-recurring items in the range of 54 to 64 million euros (+44% to +71% at actual exchange rates).

These scenarios for 2021 are based on actual exchange rates for H1, and the closing rates on June 30, 2021, particularly $1.19/€1, for H2 2021.

Confidence in growth prospects for the short and medium-term

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

The Board of Directors
July 29, 2021

ADDITIONAL INFORMATION – SECOND QUARTER 2021

LECTRA 2020 SCOPE

ORDERS FOR NEW SYSTEMS – LIKE-FOR-LIKE

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

	Three Months Ended June 30						
	2021			2020		Changes 2021/2020	
(in thousands of euros)	Actual	%	At 2020 exchange rates	Actual	%	Actual	Like-for-like
Perpetual software licenses	1,529	5%	1,561	1,065	7%	+44%	+47%
Equipment and accompanying software	25,274	83%	26,247	12,018	80%	+110%	+118%
Training and consulting services	3,388	11%	3,449	1,642	11%	+106%	+110%
Miscellaneous	456	1%	461	246	2%	+85%	+87%
Total	30,648	100%	31,718	14,971	100%	+105%	+112%
€ / $ average parity	*1.21*		*1.10*	*1.10*			

New software subscriptions

	Three Months Ended June 30						
	2021			2020		Changes 2021/2020	
(in thousands of euros)	Actual	%	At 2020 exchange rates	Actual	%	Actual	Like-for-like
Annual value of new software subscriptions	1,953	na	1,987	339	na	+476%	+486%
€ / $ average parity	*1.21*		*1.10*	*1.10*			

BREAKDOWN OF REVENUES – LIKE-FOR-LIKE

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

Revenues by region

	Three Months Ended June 30						
	2021			2020		Changes 2021/2020	
(in thousands of euros)	Actual	%	At 2020 exchange rates	Actual	%	Actual	Like-for-like
Europe, of which:	26,743	40%	26,747	22,430	44%	+19%	+19%
- France	4,402	7%	4,398	3,481	7%	+26%	+26%
Americas	16,506	25%	17,928	12,363	25%	+34%	+45%
Asia-Pacific	19,323	29%	20,262	12,730	25%	+52%	+59%
Other countries	3,906	6%	3,815	2,997	6%	+30%	+27%
Total	66,479	100%	68,751	50,520	100%	+32%	+36%
€ / $ average parity	*1.21*		*1.10*	*1.10*			

Revenues by type of business

	Three Months Ended June 30						
	2021			2020		Changes 2021/2020	
(in thousands of euros)	Actual	%	At 2020 exchange rates	Actual	%	Actual	Like-for-like
Revenues from perpetual software licenses, equipment and accompanying software, and non-recurring services, of which:	24,069	36%	25,028	15,832	31%	+52%	+58%
- Perpetual software licenses	1,532	2%	1,572	1,159	2%	+32%	+36%
- Equipment and accompanying software	19,231	29%	20,079	12,175	24%	+58%	+65%
- Training and consulting services	2,849	4%	2,916	2,252	4%	+27%	+29%
- Miscellaneous	456	1%	461	246	0%	+85%	+87%
Recurring revenues, of which:	42,410	64%	43,723	34,688	69%	+22%	+26%
- Software subscriptions	1,639	2%	1,674	826	2%	+98%	+103%
- Software maintenance contracts	8,899	13%	9,023	9,400	19%	-5%	-4%
- Equipment and accompanying software maintenance contracts	14,701	22%	15,238	14,717	29%	0%	+4%
- Consumables and parts	17,171	26%	17,787	9,746	19%	+76%	+83%
Total	66,479	100%	68,751	50,520	100%	+32%	+36%
€ / $ average parity	*1.21*		*1.10*	*1.10*			

CONSOLIDATED INCOME STATEMENT – LIKE-FOR-LIKE

LECTRA 2020 SCOPE

	Three Months Ended June 30				
	2021		2020	Changes 2021/2020	
(in thousands of euros)	Actual	At 2020 exchange rates	Actual	Actual	Like-for-like
Revenues	66,479	68,751	50,520	+32%	+36%
Cost of goods sold	(17,561)	(17,825)	(12,114)	+45%	+47%
Gross profit	48,917	50,926	38,406	+27%	+33%
(in % of revenues)	73.6%	74.1%	76.0%	-2.4 points	-1.9 points
Research and development	(6,347)	(6,347)	(5,738)	+11%	+11%
Selling, general and administrative expenses	(34,877)	(35,459)	(30,661)	+14%	+16%
Income from operations before non-recurring items	7,693	9,119	2,008	+283%	+354%
(in % of revenues)	11.6%	13.3%	4.0%	+7.6 points	+9.3 points
Non-recurring expenses	(3,626)	(3,626)	-	na	na
Income from operations	4,068	5,494	2,008	+103%	+174%
(in % of revenues)	6.1%	8.0%	4.0%	+2.1 points	+4.0 points
Income before tax	3,343	4,769	1,669	+100%	+186%
Income tax	(215)	na	(608)	-65%	na
Net income	**3,128**	**na**	**1,062**	**+195%**	**na**
of which, Group share	**3,075**	**na**	**1,081**	**+185%**	**na**
of which, Non-controlling interests	53	na	(19)	na	na
Income from operations before non-recurring items	7,693	9,119	2,008	+283%	+354%
+ Net depreciation and amortization of non-current assets	2,938	2,989	2,929	0%	+2%
EBITDA before non-recurring items	10,631	12,109	4,937	+115%	+145%
(in % of revenues)	16.0%	17.6%	9.8%	+6.2 points	+7.8 points
€ / $ average parity	*1.21*	*1.10*	*1.10*		

ADDITIONAL INFORMATION – FIRST HALF 2021

LECTRA 2020 SCOPE

ORDERS FOR NEW SYSTEMS – LIKE-FOR-LIKE

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

1.1. by product line

	Six Months Ended June 30						
	2021			2020		Changes 2021/2020	
(in thousands of euros)	Actual	%	At 2020 exchange rates	Actual	%	Actual	Like-for-like
Perpetual software licenses	3,728	6%	3,839	3,730	11%	0%	+3%
Equipment and accompanying software	45,937	81%	47,783	25,562	75%	+80%	+87%
Training and consulting services	6,013	11%	6,145	4,206	12%	+43%	+46%
Miscellaneous	905	2%	919	745	2%	+21%	+23%
Total	56,583	100%	58,686	34,243	100%	+65%	+71%
€ / $ average parity	*1.21*		*1.10*	*1.10*			

1.2. by region

	Six Months Ended June 30						
	2021			2020		Changes 2021/2020	
(in thousands of euros)	Actual	%	At 2020 exchange rates	Actual	%	Actual	Like-for-like
Europe	19,363	34%	19,358	13,477	39%	+44%	+44%
Americas	12,965	23%	14,111	7,055	21%	+84%	+100%
Asia-Pacific	22,526	40%	23,476	11,232	33%	+101%	+109%
Other countries	1,729	3%	1,741	2,479	7%	-30%	-30%
Total	56,583	100%	58,686	34,243	100%	+65%	+71%
€ / $ average parity	*1.21*		*1.10*	*1.10*			

1.3. by market

	Six Months Ended June 30						
	2021			2020		Changes 2021/2020	
(in thousands of euros)	Actual	%	At 2020 exchange rates	Actual	%	Actual	Like-for-like
Fashion	24,406	43%	25,381	19,655	57%	+24%	+29%
Automotive	19,025	34%	19,818	8,569	25%	+122%	+131%
Furniture	10,397	18%	10,667	3,709	11%	+180%	+188%
Other industries	2,756	5%	2,819	2,309	7%	+19%	+22%
Total	56,583	100%	58,686	34,243	100%	+65%	+71%
€ / $ average parity	*1.21*		*1.10*	*1.10*			

2. New software subscriptions

	Six Months Ended June 30						
	2021			2020		Changes 2021/2020	
(in thousands of euros)	Réel	%	At 2020 exchange rates	Actual	%	Actual	Like-for-like
Annual value of new software subscriptions	2,719	na	2,769	965	na	+182%	+187%
€ / $ average parity	*1.21*		*1.10*	*1.10*			

BREAKDOWN OF REVENUES – LIKE-FOR-LIKE

LECTRA 2020 SCOPE

Revenues by region

(in thousands of euros)	2021 Actual	2021 %	2021 At 2020 exchange rates	2020 Actual	2020 %	Changes 2021/2020 Actual	Changes 2021/2020 Like-for-like
Europe, of which:	51,944	39%	52,063	49,611	44%	+5%	+5%
- France	9,058	7%	9,050	7,598	7%	+19%	+19%
Americas	34,302	26%	37,580	30,455	27%	+13%	+23%
Asia-Pacific	38,074	28%	39,763	25,883	23%	+47%	+54%
Other countries	8,845	7%	8,859	8,086	7%	+9%	+10%
Total	133,165	100%	138,265	114,035	100%	+17%	+21%
€ / $ average parity	*1.21*		*1.10*	*1.10*			

Six Months Ended June 30

Revenues by type of business

(in thousands of euros)	2021 Actual	2021 %	2021 At 2020 exchange rates	2020 Actual	2020 %	Changes 2021/2020 Actual	Changes 2021/2020 Like-for-like
Revenues from perpetual software licenses, equipment and accompanying software, and non-recurring services, of which:	49,194	37%	51,201	37,840	33%	+30%	+35%
- Perpetual software licenses	3,594	3%	3,696	4,201	4%	-14%	-12%
- Equipment and accompanying software	39,397	30%	41,148	27,804	24%	+42%	+48%
- Training and consulting services	5,297	4%	5,438	5,090	4%	+4%	+7%
- Miscellaneous	905	1%	919	745	1%	+21%	+23%
Recurring revenues, of which:	83,971	63%	87,065	76,195	67%	+10%	+14%
- Software subscriptions	3,071	2%	3,131	1,572	1%	+95%	+99%
- Software maintenance contracts	17,775	13%	18,109	19,005	17%	-6%	-5%
- Equipment and accompanying software maintenance contracts	29,119	22%	30,328	29,356	26%	-1%	+3%
- Consumables and parts	34,006	26%	35,496	26,262	23%	+29%	+35%
Total	133,165	100%	138,265	114,035	100%	+17%	+21%
€ / $ average parity	*1.21*		*1.10*	*1.10*			

Six Months Ended June 30

CONSOLIDATED INCOME STATEMENT – LIKE-FOR-LIKE

LECTRA 2020 SCOPE

(in thousands of euros)	Six Months Ended June 30				
	2021		2020	Changes 2021/2020	
	Actual	At 2020 exchange rates	Actual	Actual	Like-for-like
Revenues	133,165	138,265	114,035	+17%	+21%
Cost of goods sold	(35,789)	(36,302)	(27,960)	+28%	+30%
Gross profit	97,375	101,963	86,075	+13%	+18%
(in % of revenues)	73.1%	73.7%	75.5%	-2.4 points	-1.8 points
Research and development	(12,577)	(12,577)	(12,029)	+5%	+5%
Selling, general and administrative expenses	(68,645)	(70,088)	(66,947)	+3%	+5%
Income from operations before non-recurring items	16,154	19,298	7,099	+128%	+172%
(in % of revenues)	12.1%	14.0%	6.2%	+5.9 points	+7.8 points
Non-recurring expenses	(4,639)	(4,639)	-	na	na
Income from operations	11,515	14,659	7,099	+62%	+106%
(in % of revenues)	8.6%	10.6%	6.2%	+2.4 points	+4.4 points
Income before tax	11,386	14,530	6,312	+80%	+130%
Income tax	(2,256)	na	(1,862)	+21%	na
Net income	**9,130**	**na**	**4,450**	**+105%**	**na**
of which, Group share	**9,032**	**na**	**4,465**	**+102%**	**na**
of which, Non-controlling interests	98	na	(15)	na	na
Income from operations before non-recurring items	16,154	19,298	7,099	+128%	+172%
+ Net depreciation and amortization of non-current assets	5,839	5,944	5,836	0%	+2%
EBITDA before non-recurring items	21,992	25,242	12,935	+70%	+95%
(in % of revenues)	16.5%	18.3%	11.3%	+5.2 points	+7.0 points
€ / $ average parity	*1.21*	*1.10*	*1.10*		

ADDITIONAL INFORMATION – SECOND QUARTER 2021

LECTRA 2021 SCOPE (INCLUDING THE ACQUISITION OF GERBER TECHNOLOGY)

BREAKDOWN OF REVENUES – ACTUAL

Revenues by type of business

	Three Months Ended June 30							
	2021						2020	Changes 2021/2020
(in thousands of euros)	Lectra 2020 scope	%	Gerber Technology	%	**Lectra 2021 scope**	%	**Lectra 2020 scope**	Actual
Revenues from perpetual software licenses, equipment and accompanying software, and non-recurring services, of which:	24,069	36%	5,115	38%	**29,184**	36%	**15,832**	+84%
- Perpetual software licenses	1,532	2%	541	4%	2,073	3%	1,159	+79%
- Equipment and accompanying software	19,231	29%	4,131	30%	23,362	29%	12,175	+92%
- Training and consulting services	2,849	4%	221	2%	3,070	4%	2,252	+36%
- Miscellaneous	456	1%	223	2%	679	1%	246	+176%
Recurring revenues, of which:	42,410	64%	8,431	62%	**50,841**	64%	**34,688**	+47%
- Software subscriptions	1,639	2%	206	2%	1,844	2%	826	+123%
- Software maintenance contracts	8,899	13%	1,174	9%	10,073	13%	9,400	+7%
- Equipment and accompanying software maintenance contracts	14,701	22%	2,101	16%	16,802	21%	14,717	+14%
- Consumables and parts	17,171	26%	4,951	37%	22,122	28%	9,746	+127%
Total	66,479	100%	13,546	100%	**80,025**	100%	**50,520**	+58%
€ / $ average parity	*1.21*		*1.21*		*1.21*		*1.10*	

CONSOLIDATED INCOME STATEMENT – ACTUAL

	Three Months Ended June 30				
	2021			2020	Changes 2021/2020
(in thousands of euros)	Lectra 2020 scope	Gerber Technology	**Lectra 2021 scope**	**Lectra 2020 scope**	Actual
Revenues	66,479	13,546	80,025	50,520	+58%
Cost of goods sold	(17,561)	(6,235)	(23,797)	(12,114)	+96%
Gross profit	48,917	7,311	56,228	38,406	+46%
(in % of revenues)	73.6%	54.0%	70.3%	76.0%	-5.7 points
Research and development	(6,347)	(1,011)	(7,358)	(5,738)	+28%
Selling, general and administrative expenses	(34,877)	(6,285)	(41,162)	(30,661)	+34%
Income from operations before non-recurring items	7,693	15	7,708	2,008	+284%
(in % of revenues)	11.6%	0.1%	9.6%	4.0%	+5.6 points
Non-recurring expenses	(3,626)	(125)	(3,751)	-	
Income from operations	4,068	(111)	3,957	2,008	+97%
(in % of revenues)	6.1%	-0.8%	4.9%	4.0%	+0.9 points
Income before tax	3,343	(137)	3,206	1,669	+92%
Income tax	(215)	(67)	(282)	(608)	-54%
Net income	**3,128**	**(204)**	**2,924**	**1,062**	**+175%**
of which, Group share	**3,075**	**(204)**	**2,871**	**1,081**	**166%**
of which, Non-controlling interests	53	-	53	(19)	na
Income from operations before non-recurring items	7,693	15	7,708	2,008	+284%
+ Net depreciation and amortization of non-current assets	2,938	1,211	4,149	2,929	+42%
EBITDA before non-recurring items	10,631	1,226	11,857	4,937	+140%
(in % of revenues)	16.0%	9.1%	14.8%	9.8%	+5.0 points
€ / $ average parity	*1.21*	*1.21*	*1.21*	*1.10*	

ADDITIONAL INFORMATION – FIRST HALF 2021

LECTRA 2021 SCOPE (INCLUDING THE ACQUISITION OF GERBER TECHNOLOGY)

BREAKDOWN OF REVENUES – ACTUAL

Revenues by type of business

	Six Months Ended June 30							
	2021						2020	Changes 2021/2020
(in thousands of euros)	Lectra 2020 scope	%	Gerber Technology	%	**Lectra 2021 scope**	%	**Lectra 2020 scope**	Actual
Revenues from perpetual software licenses, equipment and accompanying software, and non-recurring services, of which:	49,194	37%	5,115	38%	**54,309**	37%	**37,840**	+44%
- Perpetual software licenses	3,594	3%	541	4%	4,135	3%	4,201	-2%
- Equipment and accompanying software	39,397	30%	4,131	30%	43,528	30%	27,804	+57%
- Training and consulting services	5,297	4%	221	2%	5,518	4%	5,090	+8%
- Miscellaneous	905	1%	223	2%	1,128	1%	745	+51%
Recurring revenues, of which:	83,971	63%	8,431	62%	**92,402**	63%	**76,195**	+21%
- Software subscriptions	3,071	2%	206	2%	3,277	2%	1,572	+108%
- Software maintenance contracts	17,775	13%	1,174	9%	18,949	13%	19,005	0%
- Equipment and accompanying software maintenance contracts	29,119	22%	2,101	16%	31,220	21%	29,356	+6%
- Consumables and parts	34,006	26%	4,951	37%	38,956	27%	26,262	+48%
Total	133,165	100%	13,546	100%	**146,711**	100%	**114,035**	+29%
€ / $ average parity	*1.21*		*1.21*		*1.21*		*1.10*	

CONSOLIDATED INCOME STATEMENT – ACTUAL

	Six Months Ended June 30				
	2021			2020	Changes 2021/2020
(in thousands of euros)	Lectra 2020 scope	Gerber Technology	**Lectra 2021 scope**	**Lectra 2020 scope**	Actual
Revenues	133,165	13,546	146,711	114,035	+29%
Cost of goods sold	(35,789)	(6,235)	(42,025)	(27,960)	+50%
Gross profit	97,375	7,311	104,686	86,075	+22%
(in % of revenues)	73.1%	54.0%	71.4%	75.5%	-4.1 points
Research and development	(12,577)	(1,011)	(13,588)	(12,029)	+13%
Selling, general and administrative expenses	(68,645)	(6,285)	(74,930)	(66,947)	+12%
Income from operations before non-recurring items	16,154	15	16,168	7,099	+128%
(in % of revenues)	12.1%	0.1%	11.0%	6.2%	+4.8 points
Non-recurring expenses	(4,639)	(125)	(4,764)	-	na
Income from operations	11,515	(111)	11,404	7,099	+61%
(in % of revenues)	8.6%	-0.8%	7.8%	6.2%	+1.6 points
Income before tax	11,386	(137)	11,248	6,312	+78%
Income tax	(2,256)	(67)	(2,323)	(1,862)	+25%
Net income	**9,130**	**(204)**	**8,926**	**4,450**	**+101%**
of which, Group share	**9,032**	**(204)**	**8,828**	**4,465**	**+98%**
of which, Non-controlling interests	98	-	98	(15)	na
Income from operations before non-recurring items	16,154	15	16,168	7,099	+128%
+ Net depreciation and amortization of non-current assets	5,839	1,211	7,050	5,836	+21%
EBITDA before non-recurring items	21,992	1,226	23,218	12,935	+80%
(in % of revenues)	16.5%	9.1%	15.8%	11.3%	+4.5 points
€ / $ average parity	*1.21*	*1.21*	*1.21*	*1.10*	

Company certification of the first half 2021 report

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

Paris, July 29, 2021

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

(in thousands of euros)	June 30, 2021[(1)]	December 31, 2020	June 30, 2020
Goodwill	252,044	46,528	47,297
Other intangible assets	132,787	4,665	4,388
Leasing rights-of-use	30,057	15,429	16,913
Property, plant and equipment	28,141	25,067	26,538
Other non-current assets	27,220	20,992	22,033
Deferred tax assets	8,600	7,950	9,413
Total non-current assets	478,849	120,631	126,582
Inventories	51,992	29,519	31,900
Trade accounts receivable	73,849	43,009	39,826
Other current assets	20,030	13,076	11,044
Cash and cash equivalents	117,423	134,626	109,879
Total current assets	263,294	220,230	192,649
Total assets	**742,143**	**340,861**	**319,231**

EQUITY AND LIABILITIES

(in thousands of euros)	June 30, 2021[(1)]	December 31, 2020	June 30, 2020
Share capital	37,647	32,512	32,245
Share premium	138,182	19,387	16,867
Treasury shares	(716)	(343)	(534)
Currency translation adjustments	(2,499)	(11,293)	(9,755)
Retained earnings and net income	197,095	151,750	137,252
Non-controlling interests	258	160	144
Total equity	369,967	192,173	176,219
Retirement benefit obligations	12,407	11,995	11,133
Non-current lease liabilities	27,521	10,434	11,824
Minority shares purchase commitment	2,165	2,165	4,333
Borrowings, non-current portion	118,226	-	-
Total non-current liabilities	160,319	24,594	27,290
Trade and other current payables	101,125	53,657	45,779
Deferred revenues	71,546	56,690	56,543
Current income tax liabilities	4,005	2,958	2,939
Current lease liabilities	8,851	5,411	5,488
Minority shares purchase commitment	1,495	2,332	2,167
Borrowings, current portion	21,099	-	-
Provisions for other liabilities and charges	3,736	3,046	2,806
Total current liabilities	211,857	124,094	115,722
Total equity and liabilities	**742,143**	**340,861**	**319,231**

(1) The 2021 amounts integrate Gerber Technology since June 1, 2021 (see note 3 hereafter).

CONSOLIDATED INCOME STATEMENT

(in thousands of euros)	Six months ended June 30, 2021 [1]	Six months ended June 30, 2020
Revenues	146,711	114,035
Cost of goods sold	(42,025)	(27,960)
Gross profit	104,686	86,075
Research and development	(13,588)	(12,029)
Selling, general and administrative expenses	(74,930)	(66,947)
Income from operations before non-recurring items	16,168	7,099
Non-recurring expenses [2]	(4,764)	-
Income from operations	11,404	7,099
Financial income	135	39
Financial expenses	(454)	(247)
Foreign exchange income (loss)	163	(580)
Income before tax	11,248	6,312
Income tax	(2,323)	(1,862)
Net income	**8,926**	**4,450**
of which, Group share	**8,828**	**4,465**
of which, Non-controlling interests	98	(15)

(in euros)		
Earnings per share, Group share:		
- basic	0.26	0.14
- diluted	0.26	0.14
Shares used in calculating earnings per share [3]:		
- basic	33,368,665	32,128,770
- diluted	33,827,583	32,397,019

(in thousands of euros)		
Income from operations before non-recurring items	16,168	7,099
+ Net depreciation and amortization of non-current assets	7,050	5,836
EBITDA before non-recurring items	23,218	12,935

STATEMENT OF COMPREHENSIVE INCOME, GROUP SHARE [4]

(in thousands of euros)	Six months ended June 30, 2021 [1]	Six months ended June 30, 2020
Net income, Group share	8,828	4,465
Currency translation adjustments	8,694	(191)
Tax effect	100	(82)
Other comprehensive income to be reclassified in net income	8,794	(273)
Remeasurement of the net liability arising from defined benefits pension plans	426	279
Tax effect	(113)	(78)
Other comprehensive income not to be reclassified in net income	313	201
Total other comprehensive income	9,107	(72)
Comprehensive income, Group share	**17,935**	**4,393**

(1) The 2021 amounts integrate Gerber Technology since June 1, 2021 (see note 3 hereafter).
(2) This amount corresponds to fees and other costs relating to the acquisition of Gerber Technology (see note 3 hereafter).
(3) The 5 million Lectra shares issued on June 1, 2021 for the acquisition of Gerber Technology have been included pro-rata temporis when determining the number of shares to use in the calculation of the earnings per share.
(4) The Group considered as non-material the information regarding the comprehensive income of the non-controlling interests (20% of Retviews minority shares only since July 2020, and 30% before that – see note 3 hereafter) and thus only presents the comprehensive income of the Group share.

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of euros)	Six months ended June 30, 2021 [1]	Six months ended June 30, 2020
I - OPERATING ACTIVITIES		
Net income	8,926	4,450
Net depreciation and amortization (non-current assets)	7,050	5,836
Net depreciation and provisions (current assets)	815	1,810
Non-cash operating expenses	75	627
Loss (profit) on sale of fixed assets	(30)	39
Changes in deferred income taxes	383	(1,174)
Changes in inventories	(5,517)	(1,919)
Changes in trade accounts receivable	1,666	14,711
Changes in other current assets and liabilities	7,466	(12,468)
Changes in other operating non-current assets	(4,249)	(4,532)
Net cash provided by (used in) operating activities	16,585	7,380
II - INVESTING ACTIVITIES		
Purchases of intangible assets	(1,157)	(1,087)
Purchases of property, plant and equipment	(1,034)	(1,484)
Proceeds from sales of intangible and tangible assets	33	6
Acquisition cost of companies purchased [2]	(162,209)	-
Purchases of financial assets [3]	(4,128)	(2,836)
Proceeds from sales of financial assets [3]	4,400	2,535
Net cash provided by (used in) investing activities	(164,095)	(2,866)
III - FINANCING ACTIVITIES		
Proceeds from issuance of ordinary shares	1,430	1,210
Dividend paid	(7,820)	(12,844)
Change in share of interests in controlled entities [4]	(167)	-
Purchases of treasury shares	(4,313)	(2,641)
Sales of treasury shares	4,124	2,678
Repayment of lease liabilities	(3,213)	(3,024)
Proceeds from long term and short term borrowings	139,214	-
Net cash provided by (used in) financing activities	129,255	(14,621)
Increase (decrease) in cash and cash equivalents	**(18,255)**	**(10,107)**
Cash and cash equivalents at opening	134,626	120,558
Increase (decrease) in cash and cash equivalents	(18,255)	(10,107)
Effect of changes in foreign exchange rates	1,052	(572)
Cash and cash equivalents at closing	117,423	109,879
Net cash provided by (used in) operating activities	16,585	7,380
+ Net cash provided by (used in) investing activities	(164,095)	(2,866)
- Acquisition cost of companies purchased	162,209	-
- Repayment of lease liabilities	(3,213)	(3,024)
Free cash flow before non-recurring items	11,486	1,490
Non-recurring items of the free cash flow	(2,835)	-
Free cash flow	14,321	1,490
Income tax (paid) / reimbursed, net	(1,517)	(2,437)
Interest paid on lease liabilities	(67)	(77)
Interest paid	-	-

(1) The 2021 amounts integrate Gerber Technology since June 1, 2021 (see note 3 hereafter).
(2) In 2021, this amount corresponds to the acquisition cost, net of cash acquired, of Gerber Technology (see note 3 hereafter).
(3) These amounts mainly correspond to the valuation of purchases and sales of treasury shares made through the liquidity agreement, and for which the counterpart is shown in the corresponding cash flows arising from financing activities.
(4) In 2021, this amount corresponds to the amount that remained to be paid for the purchase of an additional 10% of Retviews, the majority of which was paid in Q3 2020 (see note 3 hereafter).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in thousands of euros, except for par value per share expressed in euros)	Share capital									
	Number of shares	Par value per share	Share capital	Share premium	Treasury shares	Currency translation adjustments	Retained earnings and net income	**Equity, Group share**	Non controlling interests	**Total equity**
Balance at January 1, 2020	32,099,100	1.00	32,099	15,802	(698)	(9,481)	145,141	182,863	159	183,022
Net income							4,465	4,465	(15)	4,450
Other comprehensive income						(273)	201	(72)		(72)
Comprehensive income						(273)	4,666	4,393	(15)	4,378
Exercised stock options	145,934	1.00	146	1,064				1,210		1,210
Fair value of stock options							374	374		374
Sale (purchase) of treasury shares					164			164		164
Profit (loss) on treasury shares							(85)	(85)		(85)
Dividend paid							(12,844)	(12,844)		(12,844)
Balance at June 30, 2020	32,245,034	1.00	32,245	16,867	(534)	(9,755)	137,252	176,075	144	176,219
Balance at January 1, 2020	32,099,100	1.00	32,099	15,802	(698)	(9,481)	145,141	182,863	159	183,022
Net income							17,529	17,529	49	17,578
Other comprehensive income						(1,812)	(232)	(2,044)		(2,044)
Comprehensive income						(1,812)	17,297	15,485	49	15,534
Exercised stock options	412,551	1.00	413	3,585				3,998		3,998
Fair value of stock options							955	955		955
Sale (purchase) of treasury shares					355			355		355
Profit (loss) on treasury shares							29	29		29
Integration of Retviews and minority shares purchase commitment (1)							1,172	1,172	(48)	1,124
Dividend paid							(12,844)	(12,844)		(12,844)
Balance at December 31, 2020	32,511,651	1.00	32,512	19,387	(343)	(11,293)	151,750	192,013	160	192,173
Net income							8,828	8,828	98	8,926
Other comprehensive income						8,794	313	9,107		9,107
Comprehensive income						8,794	9,141	17,935	98	18,033
Exercised stock options	134,994	1.00	135	1,295				1,430		1,430
Shares issued to purchase Gerber Technology (2)	5,000,000	1.00	5,000	117,500			42,750	165,250		165,250
Fair value of stock options							465	465		465
Sale (purchase) of treasury shares					(373)			(373)		(373)
Profit (loss) on treasury shares							138	138		138
Minority shares purchase commitment revaluation (3)							670	670		670
Dividend paid							(7,820)	(7,820)		(7,820)
Balance at June 30, 2021	**37,646,645**	**1.00**	**37,647**	**138,182**	**(716)**	**(2,499)**	**197,095**	**369,709**	**258**	**369,967**

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

(2) The 2021 amounts integrate Gerber Technology since June 1, 2021 (see note 3 hereafter).

(3) This amount is related to the revaluation of the minority shares purchase commitment for an additional 10% of Retviews, to come in July 2021 (see note 3 hereafter).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT JUNE 30, 2021

1. BUSINESS ACTIVITY

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

In order to increase customers' competitiveness, Lectra creates premium technologies specifically for its customers' markets – mainly fashion, automotive and furniture. Lectra's solutions, combining software, automated cutting equipment, 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 cut costs; to reduce time-to-market; to meet the challenges of globalization; to enhance product quality; to increase production capacity; and to develop their creativity. In addition, customers now face challenges specific to Industry 4.0, such as securing digital communications along an extended supply chain, and making the factory more agile.

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

Business model

Lectra's business model is based on three pillars:

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

Worldwide presence

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

Since the acquisition of Gerber Technology in June 2021, the Group has an unrivalled network of 59 subsidiaries, from which Lectra generates nearly 85% of revenues.

Lectra welcomes customers from around the world in its International Advanced Technology & Conference Centers in Bordeaux-Cestas (France), Atlanta (USA), New York (USA) and Shanghai (China). The Group has seven international Call Centers, based in Bordeaux-Cestas (France), Madrid (Spain), Milan (Italy), Porto (Portugal), Atlanta (USA), Tolland (USA) and Shanghai (China).

Customers

From global corporations to smaller national companies, Lectra's customers are, for the most part, fashion brands, manufacturers and retailers, automotive equipment manufacturers and subcontractors, and upholstered 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). Since 2007, cutting machines on the market incorporate hundreds of sensors which connect them to Lectra's Call Centers, enabling preventive and predictive maintenance.

The manufacturing of the automated cutting equipment developed by Gerber Technology is subcontracted, essentially to two companies, one in China and the other in the United States.

People

Lectra's strength lies in the skills and experience of more than 2,400 employees worldwide. Thanks to Lectra's global presence the Group is close to its customers, wherever they are in the world.

2. SUMMARY OF ACCOUNTING RULES AND METHODS

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

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

The condensed consolidated financial statements at June 30, 2021, have been prepared in accordance with IAS 34 – *Interim Financial Statements*. They do not comprise all the financial disclosures required in the complete financial statements and should be read in conjunction with the Group's consolidated financial statements and corresponding notes for the fiscal year 2020, available on lectra.com.

The consolidated financial statements have been prepared in accordance with the same rules and methods as those applied in the preparation of the 2020 financial statements. They have been prepared under the responsibility of the Board of Directors at its meeting of July 29, 2021 and have been subjected to a limited review by the Statutory Auditors.

The standards, amendments and interpretations adopted by the European Union whose application is required for fiscal years starting from January 1, 2021 have no impact on the Group's financial statements. The Group has not early adopted any other standards, amendments or interpretations whose application is not required for fiscal years starting from January 1, 2021.

Seasonality

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

Critical accounting estimates and judgments

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

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

Revenues

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

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

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

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

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

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

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

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

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

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

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

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

Cost of goods sold

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

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

Research and development costs

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

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

Earnings per share

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

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

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

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

Performance indicators

The Group uses performance indicators such as income from operations, EBITDA 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.

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

Security ratio

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

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

Operating segments

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

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

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

3. SCOPE OF CONSOLIDATION

At June 30, 2021, the Group's scope of consolidation comprised the parent company, Lectra SA, together with 56 fully-consolidated companies, 25 of which come from the acquisition of Gerber Technology.

Acquisition of Retviews

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

The acquisition of the remaining capital and voting rights will take place in two installments in July 2021 and July 2022 for the amounts of about 0.7 times 2021 revenues and 0.5 times 2022 revenues, respectively. According to IAS 7, the payments appear in the statement of cash-flows, within the financing activities, under the caption “Change in share of interests in controlled entities”.

Following the payment, in January 2021, of the remaining price for the 2020 acquisition, and the revaluation of the amount to pay for the additional 10% in July 2021 (revaluation against equity – Group share), the debt corresponding to the minority shares purchase commitment amounted to 3.7 million euros, of which 1.5 million euros classified as current liabilities and 2.2 million euros as non-current liabilities.

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

Acquisition of Gerber Technology

On June 1, 2021, Lectra finalized the acquisition of all outstanding shares of Gerber Technology, for 175 million euros – 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 Technology's sole shareholder.

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

Business combination – acquisition method

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

The net amount of assets acquired and liabilities assumed was 140,4 million euros at June 1, 2021.

This amount included in particular:

- Intangible assets related to brands, technologies and customer relationships identified through purchase accounting for a total 151 million US dollars (124 million euros at June 1, 2021 exchange rate);
- The impacts of IFRS 16 implementation on Gerber Technology lease agreements, taking into account that the lease for the main site at Tolland (USA) was signed for a rent amount now grossly above local market prices, leading to a decrease in the valuation of the associated right-of-use.

The net amount of identifiable assets and liabilities at June 1, 2021 was as follows:

ASSETS

(in thousands of euros)	Amounts at June 1, 2021	*of which, intangible assets*	*of which, lease agreements*
Intangible assets	124,967	123,760	-
Leasing rights-of-use	15,942	-	15,942
Property, plant and equipment	4,326	-	-
Other non-current assets	2,133	-	-
Deferred tax assets	976	-	-
Total non-current assets	148,344	123,760	15,942
Inventories	17,258	-	-
Trade accounts receivable	29,575	-	-
Other current assets	3,390	-	(170)
Cash and cash equivalents	15,030	-	-
Total current assets	65,253	-	(170)
Total assets acquired	**213,597**	**123,760**	**15,772**

LIABILITIES

(in thousands of euros)	Amounts at June 1, 2021	*of which, intangible assets*	*of which, lease agreements*
Retirement benefit obligations	615	-	-
Non-current lease liabilities	18,015	-	18,015
Borrowings, non-current portion	-	-	-
Total non-current liabilities	18,630	-	18,015
Trade and other current payables	37,450	-	(2,186)
Deferred revenues	12,253	-	-
Current income tax liabilities	624	-	-
Current lease liabilities	3,642	-	3,642
Borrowings, current portion	-	-	-
Provisions for other liabilities and charges	631	-	186
Total current liabilities	54,600	-	1,642
Total liabilities assumed	**73,230**	**-**	**19,657**
Net assets and liabilities	**140,367**		

Moreover, some elements within the liabilities assumed, such as earn-outs for past acquisitions made by Gerber Technology, or bonuses for some Gerber Technology employees related to the acquisition by Lectra, are to be paid after the acquisition date, but the previous shareholder left the necessary cash to settle these liabilities. Upon payment for these amounts, the cash-out will be netted out with the cash acquired, instead of appearing as a flow of the period, in the consolidated statement of cash-flows.

Finally, all the Gerber Technology companies are 100%-held by the Group, and there are no non-controlling interests to value.

Since Lectra acquired on June 1, 2021 all outstanding Gerber Technology shares for five million newly issued shares, at a share price of 33.05€, and 175 million euros in cash, the initial goodwill amounted to 199.9 million euros:

(in thousands of euros)	June 1, 2021
Net amount of assets acquired and liabilities assumed	140,367
Non-controlling interests	-
Acquisition price	340,250
Provisional goodwill valuation	**199,883**

It should be noted that the share premium recorded in the statutory financial statements of Lectra S.A. was calculated based on Lectra's share price on February 8, 2021 (date on which the transaction was made public), that is 24.50€. The difference between both prices was recorded in the consolidated reserves.

Transaction costs

The transaction costs relating to this acquisition have been accounted for in the income statement, under the caption "Non-recurring expenses", and amount to a total 3.8 million euros.

Pro forma information

From June 1 (acquisition date) to June 30, 2021, Gerber Technology reported 16.3 million US dollars (13.5 million euros) in revenues and 1.5 million US dollars (1.2 million euros) in EBITDA before non-recurring items.

If Lectra had completed the acquisition on January 1, 2021, and taken into account the effects of the purchase accounting as of that date, then Gerber Technology would have reported revenues for the first six months of 2021 of 109.1 million US dollars (approximately 90.5 million euros) and EBITDA before non-recurring items of 11.7 million US dollars (approximately 9.7 million euros).

Acquisition cost of companies acquired as shown in the statement of cash-flows

The amount shown in the consolidated statement of cash-flows breaks down as follows:

(in thousands of euros)	Six months ended June 30, 2021
Gerber Technology debt repaid by Lectra	(175,000)
Gerber Technology cash acquired	12,791
Total acquisition cost in CFS	**(162,209)**

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

Non-consolidated entities

Three sales and service subsidiaries are not consolidated, their revenues being immaterial both separately and combined. At June 30, 2021, their combined revenues totaled 0.4 million euros, and their combined assets totaled 2.9 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 concerned by these transactions was not significant at June 30, 2021.

Post-closing events

The Group announced on June 24, 2021 that a deal was signed, relating to the acquisition of 80% of the French company Neteven for 12.6 million euros, with a commitment to purchase the remainder of capital and voting rights in June 2025, for an amount between 0.6 to 0.9 times 2024 recurring revenues. This acquisition was finalized on July 28, 2021 and no impact was recorded in the Group's accounts at June 30, 2021.

4. OPERATING SEGMENTS INFORMATION

Six months ended June 30, 2021 (in thousands of euros)	Northern Europe(1)	Southern Europe(2)	Americas	Asia-Pacific	Corporate	Gerber Technology	Total
Revenues	24,424	34,623	34,302	39,815	-	13,546	146,711
Income (loss) from operations before non-recurring items	2,356	5,664	5,447	2,766	(80)	15	16,168

Six months ended June 30, 2020 (3) (in thousands of euros)	Northern Europe(1)	Southern Europe(2)	Americas	Asia-Pacific	Corporate	Gerber Technology	Total
Revenues	25,691	30,676	30,456	27,212	-	-	114,035
Income (loss) from operations before non-recurring items	2,429	4,277	3,505	900	(4,012)	-	7,099

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

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

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

Since the acquisition of Gerber Technology took place on June 1, 2021, the Group considers for the time being that its activities make up an operating segment on its own, in addition to the five already existing.

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

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

5. CONSOLIDATED CASH FLOW SUMMARY

Six months ended June 30, 2021 (in thousands of euros)	Cash and cash equivalents	Financial debts	Net cash
Free cash flow before non-recurring items	14,321	-	14,321
Non-recurring items included in free cash flow	(2,835)	-	(2,835)
Proceeds from issuance of ordinary shares(1)	1,430	-	1,430
Sale and purchase of treasury shares(2)	(189)	-	(189)
Acquisition cost of companies purchased(3)	(162,209)	-	(162,209)
Change in share of interests in controlled entities(4)	(167)	-	(167)
Dividend paid	(7,820)	-	(7,820)
Change in borrowings(5)	139,214	(139,214)	-
Amortized cost of borrowings(5)	-	(111)	(111)
Impact of currency variations – other	1,052	-	1,052
Change in cash position for the period	(17,203)	(139,325)	(156,528)
Cash position at December 31, 2020	134,626	-	134,626
Cash position at June 30, 2021	117,423	(139,325)	(21,902)
Change in cash position for the period	(17,203)	(139,325)	(156,528)

(1) Resulting solely from the exercise of stock options.
(2) Carried out solely under the liquidity agreement administered by Exane BNP Paribas (see note 7).
(3) Acquisition cost for Gerber Technology (see note 3).
(4) Payment of the remainder of the acquisition of an additional 10% of Retviews in 2020 (see note 3).
(5) Amounts relating to the financial borrowing made on June 1, 2021 (see note 8).

Free cash flow at June 30, 2021, was 11.5 million euros. This figure results from a combination of 16.6 million euros in cash flows provided by operating activities (including a decrease in working capital requirement of 3.6 million euros) and capital expenditures of 1.9 million euros. The cash flows provided by operating activities also comprised an increase in other operating non-current assets of 4.2 million euros (corresponding to the part of the H1 2021 research tax credit, not paid and not deducted from the corporate income tax due by Lectra SA – see note 6 hereafter). Finally, the repayment of lease liabilities (according to IFRS 16), for 3.2 million euros, was taken into account.

Moreover, free cash flow included non-recurring cash-outs for 2.8 million euros, incurred for fees and other costs relating to the acquisition of Gerber Technology. Restated by this amount, free cash flow before non-recurring items amounted to 14.3 million euros.

The variation in working capital is explained as follows:

- −1.7 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 revenues);
- +5.5 million euros corresponding to the increase in inventories, following the pickup in activity;
- −2.3 million euros arising from the increase in trade accounts payable;
- −2 million euros arising from the increase in deposits received for customer orders;
- −1.5 million euros arising from the difference between the variable portion of salaries for the Group in respect of fiscal year 2020 paid mainly in 2021, and the one recognized in the first half of 2021 that will be paid in 2022;
- −1.6 million euros arising from the changes in other current assets and liabilities; taken individually, these changes are all immaterial.

The working capital requirement at June 30, 2021 was negative at 30.8 million euros. It comprised the current portion (4.5 million euros) of the 26.8 million euros receivable on the French tax administration in respect of the research tax credit, which has not been received and has not been deducted from the corporate income tax.

6. RESEARCH TAX CREDIT

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

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

The research tax credit (4.2 million euros) for the first half of 2021 was accounted for but not received.

Thus, at June 30, 2021, Lectra SA held a 26.8 million euros receivable on the French tax administration (of which 22.3 million euros classified within other non-current assets). This solely comprised the remaining amount of the research tax credit, after deduction from the corporate income tax due by Lectra SA in the same year: for 2021 (4.2 million euros), 2020 (7.8 million euros), 2019 (5.2 million euros), 2018 (5 million euros), and 2017 (4.5 million euros).

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

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

7. TREASURY SHARES

Since January 1, 2021, the company has purchased 148,824 shares and sold 140,324 shares at an average price of €28.98 and €29.39 respectively under the liquidity agreement administered by Exane BNP Paribas.

At June 30, 2021, the company held 22,497 Lectra shares (i.e. 0.06% of the share capital) with an average purchase price of €31.82 entirely under the liquidity agreement.

8. CASH AND CASH EQUIVALENTS AND NET CASH

(in thousands of euros)	June 30, 2021	December 31, 2020
Available cash	117,423	99,626
Cash equivalents	-	35,000
Borrowings and financial debts	(139,325)	-
Net cash / (net debt)	(21,902)	134,626

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

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

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 June 30, 2021, the maturity of the loan was as follows:

(in thousands of euros)	June 30, 2021	December 31, 2020
Short term – less than one year	21,099	-
Long term – more than one year, and less than five years	118,226	-
Total	139,325	-

9. FOREIGN EXCHANGE RISK

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

In H1 2021, the average parity between the US dollar and the euro was $1.21/€1.

Exchange risk hedging instruments

Exchange risk hedging instruments at June 30, 2021 were comprised of forward sales or purchases of foreign currencies (mainly US dollar) for a net total equivalent value (sales minus purchases) of 8.1 million euros, intended to hedge existing balance sheet positions. Thus, the company has hedged almost all its balance sheet positions, for the historical subsidiaries of Lectra.

Moreover, the company has not hedged its exposure to currency rates for the rest of 2021.

10. SENSITIVITY ANALYSIS

Until now, the Group performed calculations to determine the sensitivity of its business model to a change in revenues from new systems sales, as well as to a change in exchange rates.

With the integration of Gerber Technology, the previous balances have shifted; in particular, this integration reinforces the weight of the US dollar against the euro in the Group's business model.

New estimations will be communicated with the Group's annual financial statements for the fiscal year 2021.

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Statutory auditors' review report
on the half-yearly financial information

(For the period from January 1, 2021 to June 30, 2021)

This is a free translation into English of the statutory auditors' review report on the half-yearly financial information issued in French and is provided solely for the convenience of English-speaking users. This report includes information relating to the specific verification of information given in the Group's half-yearly management report. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the Shareholders
LECTRA
16-18, rue Chalgrin
75016 PARIS

In compliance with the assignment entrusted to us by the shareholders' general meeting and in accordance with the requirements of article L. 451-1-2 III of the French Monetary and Financial Code ("*Code monétaire et financier*"), we hereby report to you on :

- the review of the accompanying condensed half-yearly consolidated financial statements of LECTRA, for the period from January 1, 2021 to June 30, 2021;
- the verification of the information presented in the half-yearly management report.

Due to the global crisis related to the Covid-19 pandemic, the condensed half-yearly consolidated financial statements of this period have been prepared and reviewed under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of our procedures.

These condensed half-yearly consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

I - Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-yearly consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34- standard of the IFRSs as adopted by the European Union applicable to interim financial information.

Without qualifying our conclusion, we draw your attention to the matter set out in note 3 "Scope of consolidation" to the condensed half-yearly consolidated financial statements regarding the impacts of the acquisition of Gerber Technology group for the period from January 1, 2021 to June 30, 2021.

II - Specific verification

We have also verified the information presented in the half-yearly management report on the condensed half-yearly consolidated financial statements subject to our review. We have no matters to report as to its fair presentation and consistency with the condensed half-yearly consolidated financial statements.

Neuilly-sur-Seine and Mérignac, July 29, 2021

The Statutory Auditors

French original signed by

PricewaterhouseCoopers Audit	KPMG SA
Flora Camp	Anne Jallet-Auguste